Challenge

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a personal note

from the editor

the income tax: should it be junked or remodeled?

THE INEQUITIES in the income tax laws have been debated for a long time now. During the past several months a considerable body of opinion has begun to support the idea that income taxes should be abolished altogether. Such extremism, I fear, will have as much difficulty in finding ways to supplant the income tax as it will in convincing a majority of us that the tax can be supplanted.

A more reasonable attitude was voiced in the latest statement on national policy by the Committee for Economic Development. The portions of the statement, entitled "The Budget, The Economy and Tax Reductions in 1956," which deal with the income tax struck me as particularly worthy of wide distribution. The following abstracts will give you an idea of what the Committee recommends.

". . . We should try to make the next cut in the income tax a significant step towards the kind of income tax that meets the needs of fairness, of enterprise and of an efficient democracy. What kind of an income tax would that be?

"(1) It would be a broad-based tax. It is important in a democracy that most citizens should pay some part of the costs of government directly. (2) As far as possible, it would tax persons with equal incomes equally. This rule is one of the most important aspects of fairness in taxation. (3) While taxing larger incomes at a higher rate than smaller ones, it would not impose any rates so extremely high as to distort economic activity seriously, to induce legislators to create legal avenues of tax avoidance, or to impede the flow of savings and investment. (4) It would provide the largest single source of Federal revenue. Despite defects in practice, an individual income tax can be fairer than any other tax.

"Today, the income tax is broad-based, embracing as it does nearly fifty million taxpayers. And taxes on individual incomes are the largest single source of Federal revenue—accounting for about 50 per cent of the total. But on the other two points the income tax is in need of important correction.

". . . Real output in this country over recent years has been expanding at what appears to be a satisfactory rate despite high taxes. But the value of this as evidence is reduced by the presence of special, temporary factors in the postwar period which tended to stimulate growth. There is a distinct possibility that high marginal rates of tax will have serious effects upon future growth.

". . . Congress has found it necessary or desirable to shield several categories of taxpayers from the full rigors of the rate structure with a host of exclusions, exemptions and deductions. Many of these special provisions have tended both to undermine the equity of the code and to channel savings and investment in directions where the tax burden can be reduced.

"For example, marginal rates on personal income are in many brackets far higher than the rate of tax on income that can manage to get counted as a capital gain; therefore there is a very strong incentive toward investment in those types of activities that are likely to result in capital gains. . . .

"Many other discriminations in the code have similar effects. There is the discrimination between the man who owns a home and the man who rents. . . . There are discriminations among various kinds of bond holders. . . . And many employees and self-employed persons are permitted to regard as business expenses certain expenditures which other taxpayers must regard as personal expenses.

"Futhermore, it is incontestable that high marginal rates coupled with numerous special provisions have raised tax consciousness to a level where it has become the dominant consideration in many economic decisions. . . . Tax consciousness should not become a matter of first priority in saving and investing money.

"It seems to us that maintaining marginal rates which rise, as the present ones do, to 60, 70, 80 and even 90 per cent involves very substantial risks. . . . It is a matter of great importance to moderate these extreme rates as a first step towards creating the kind of income tax that meets the needs of our country today."

Now, it should be kept in mind that the CED has put together what is essentially the result of clear thinking under laboratory conditions. In other words, the Committee recommends what *should* be, if everything in life were logical, honest and perfectly coordinated. What necessarily must become of such recommendations once the mechanics of legislative, executive and judicial bodies come into play is another story.—H.B.

Challenge Notes

Freedom and efficiency; gambling against inflation; telephone anxiety

EVEN friends of our democratic free-enterprise system often argue that the price of freedom is inefficiency and that we are, therefore, at an economic disadvantage when competing with totalitarian states like the Soviet Union. In a totally "planned economy," so runs the argument, where all individual interests are subordinated to the interests of the state, economic objectives can be more easily attained than in the "anarchy" of a free-enterprise system.

We have never believed this, and we are happy to note that even the Soviet government is apparently beginning to doubt the efficiency of slavery. Certainly, recent Soviet moves to release some slave labor camp inmates and to abolish imprisonment for the "crime" of quitting a job when you felt like it, were not motivated by an undue concern over human rights.

In part, these moves were probably designed to convince the gullible that the Stalin era of terror is at an end. But the main reason behind the new liberalization drive, we suspect, is economic. Productivity in slave labor camps is notoriously low. Besides, there are only certain types of work (mostly unskilled) that prison labor can be entrusted with. As to the alleged "efficiency" of forcing people to work where the state directs, that too isn't all it has been made out to be. Local factory commissars, eager to fulfill production quotas as quickly as possible, hoarded labor uneconomically. Since workers could not switch to better jobs, utilization of manpower was often grossly inefficient.

The right of an individual to work where he pleases, like other civil rights, is precious in itself. Without it, economic efficiency would be meaningless. Without freedom, moreover, there would not be too much efficiency.

Gambling Against Inflation

DID you ever think of gambling as a way of combating infla-

tion? Neither did we—until recently when we heard of a British government plan to sponsor a national lottery. Instead of paying interest on its new $2.80 bonds, the government will transfer interest charges on these bonds (4 per cent) to a national pool. After paying for the costs of administering the program, all the money will be handed out in quarterly drawings with prizes for a lucky few running as high as $2,800. Since the bonds will be fully negotiable at any time, the only gamble as far as the British bondholder is concerned is the loss of interest which he could be earning if he had placed his savings elsewhere.

What does all this have to do with the problem of inflation? According to the British government, plenty. The idea behind the whole scheme is to soak up some of that surplus purchasing power Britons have been spending on refrigerators, homes, cars, etc. In particular, the lottery is aimed at the loose cash of the lower income groups who love to gamble and for whom the $2.80 price of the bond is just right. Or, so the British Treasury thinks. Other economists and sociologists are not so sure.

National lotteries as a way of raising revenue are, of course, nothing new. (The American Revolution was partly financed through the proceeds of lotteries.) As a means of nipping inflation, however, it is something relatively untried.

Frankly, we have our doubts about the whole idea. For one thing, we doubt that curbs on spending by lower income groups are going to check inflation. Certainly, these are the ones who can least afford to cut spending. But there is another, even more serious objection. In the long run, the only way to curb inflation in an expanding economy is to increase the volume of real investment, thereby increasing the number of commodities in relation to the money supply. The gambling pool performs only one anti-inflationary service: it postpones consumption. It does not, as an investment does, at the same time increase the economy's capacity to produce more future goods and services. As far as future economic growth is concerned, money put in such a national lottery is just so much economic waste.

Telephone Anxiety

At a recent conference of psychoanalysts, one of the speakers described a new and horrible disease to which modern man is susceptible: telephone anxiety. Women, of course, are free from this particular malady.—M. K.

Unions and Monopoly

by Edward S. Mason and Martin Segal

Should unions be regarded as monopoly organizations and, if so, what are the implications for public policy?

THE recent AFL-CIO merger stirred up new interest in the subject of labor monopoly and has led to an extensive discussion of the problem of public policy toward "monopolistic aspects" of trade unions. To what extent is concern with the problem of labor monopoly justified by the economic characteristics of trade unions? In fact, should unions be described as monopoly organizations, and, if so, what are the implications of such a description for public policy?

To the economist, monopoly, or as it is frequently termed, market power, is a question of degree. For example, a completely monopolistic seller would control *all* sources of supply of goods and services, leaving the buyers no alternative but to purchase from him. Such monopolies are, of course, unkown in a private enterprise system. Even the market power of a seller who controls the entire supply of a particular commodity is limited by suppliers of other commodities and services which compete for consumers' dollars, especially if the goods produced by other suppliers constitute close substitutes for the commodity produced by the monopolist. And if there is a large number of other suppliers who offer the consumer commodities which are perfect substitutes for the one he controls, he will possess no market or monopoly power at all. What makes for market power is thus some degree of freedom from the restraints imposed on suppliers' action (with respect to prices, output or other aspects of product sales) by competition of other suppliers.

It is obvious that some degree

of market power is possessed and exercised by many firms in many industries of our economy. Public policy in this country has never, of course, attempted to eliminate all vestiges of market or monopoly power; this would clearly call for a complete and radical revolution in our economic system. Rather, attempts have been made to strike at certain practices of groups of producers or individual firms which tend to increase such power beyond some reasonable standard, or to attack particular situations in which the market power possessed by one or more firms appeared particularly significant.

The above discussion should help explain why unions may be considered monopolistic organizations. One of the union's chief functions is to be a negotiator for the sale of labor services. Whatever the union is able to accomplish in the way of more favorable wages and working conditions—more favorable than they would have been without the union—is a result of the union's ability to limit competition among individual sellers of labor, or to limit the employer's opportunity to hire labor under conditions in which workers compete for jobs. To put it in the economist's language, it is the result of the market power the union possesses.

Virtually any example of collective bargaining will illustrate this. When a union, for example, demands a rate increase on a particular job which has undergone technological change, the employer who opposes such an increase cannot use any of his own employees who might be willing to work on the changed job at a previous rate. Nor, unless he is willing to risk a strike, can he hire anybody from the outside who might be willing to work on the job at the previous rate. The bargaining power of the union in this case stems from its relative freedom from competition. The greater the degree of such freedom, the stronger the union's market or monopoly power.

Clearly, to describe unions as monopolistic organizations is by no means equivalent to condemning union activities. The essence of collective bargaining is an agreement among workers not to compete for jobs in terms of wages or conditions of employment—"to take labor out of competition," as union leaders sometimes put it. It does not necessarily follow, however, that because it is based on the market power of unions, collective bargaining is an undesirable institu-

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tion. Indeed, the functioning of competition among workers in a given labor market is so imperfect, and individual unorganized workers may be at such serious bargaining disadvantage in relation to particular employers, that no general case against collective bargaining could be made on the basis of economic principles.

Besides, the amount of market power enjoyed by a union may vary widely. One factor which may limit the market power of a particular union is the competition of nonunion plants in the same industry. Another is competition from other industries which produce close substitutes for the product of the unionized industry. A third factor is intensive price competition among the producers of the unionized industry, which in turn makes for tougher bargaining on the part of the employers. A fourth is new technology which creates methods of production competing with labor services for which unions negotiate.

THE existence of these limiting factors suggests that in the effort to enlarge its bargaining position, a union may have a strong interest in extending its activity beyond mere agreement among particular workers not to compete. In fact, almost any management policy may be influenced by union action to strengthen its market power or increase the bargaining advantage of its members. Hence, such union activities as picketing of independent contractors or vendors; refusal to handle nonunion-made goods; imposing limitations on the use of new materials or equipment; agreements with local employer associations which seek to limit employer competition; and other activities which are sometimes described, with more fervor than logic, as not lying within the legitimate sphere of union interests.

What can be said about the impact of this union market power on the economy of the country? In recent years there have been several attempts to examine one particular aspect of this impact—the effect on hourly wage rates. While the results of these studies must be considered inconclusive, they cast doubt on the belief that unions have exercised very strong influence on the rate of wage increases among different industries. However, the lack of conclusive empirical evidence pertaining to the effect of unions on wages or employment does not mean that the degree of market power possessed by unions is necessarily insignificant, or that the issue of labor monopoly need not attract our attention. Such conclusions would be premature.

The failure to show in an unambiguous way the effect of unions on wages, prices or employment does not dispose of the issue of union market power. To understand what is involved, we may resort again to an example of business monopoly. Suppose that a group of would-be competitors made an agreement to charge uniform prices, fixed at a certain level. Should a court, considering the case, base its evaluation of the restraint of trade on the "reasonableness" of the prices charged by the group? To do so, the court would have to solve some very tough problems: How does the fixed price differ from the price which would prevail in the absence of the agreement? Should the fixed price be compared with one that would prevail under purely competitive conditions, or with a price existing under some more pragmatic circumstances? If the latter, what are the pragmatic competitive circumstances acceptable to a community which puts its faith in a free enterprise system?

No ready answers to these questions could be supplied, and the courts, quite properly, have refrained from considering them, finding agreements to fix prices illegal *per se*. For similar reasons, in cases of large firms accused of monopolizing or attempting to monopolize, the courts have tended to move away from the standard of unreasonable "abuse of power" to findings of violation of antitrust laws in the existence of "power itself."

These examples suggest that an estimate of mere "performance" of a particular organization possessing market power could not provide clear standards for public policy with respect to business units which may significantly influence competition in an adverse manner.

Similar problems arise in considering the issue of union market power. We cannot easily isolate the impact of unions from the influence of such other factors as productivity changes, changes in product market structure, the expansion of particular industries, etc., on the course of wages or employment in a dynamic economy. But our inability to solve these questions should not lead us to ignore the issue of union market power or to pronounce it an insignificant problem. Those who single out certain union practices—such as secondary boycotts or industry-wide bargaining—and condemn them as monopolistic, may indeed be quite wrong in that condemnation clearly implies a judgment based on some public policy standard. On the other hand, this does not mean that it

is unnecessary or undesirable to analyze such union practices in an attempt to evaluate their effect on the degree of union market power or their impact on the functioning of competition.

The process of collective bargaining is highly valued by important segments of the community, not only as a means of increasing the bargaining position of labor, but, more importanaly perhaps, of enabling labor to participate in the process of industrial self-government. Collective bargaining, however, inevitably requires the existence of unions with a substantial degree of market power. In acquiring or maintaining its bargaining power, a union may find it necessary to engage in activities which can adversely affect the functioning of competition in both labor and product markets. Under such circumstances, some sort of conflict between the values of collective bargaining and the values of competition, presumably considered by many as a basis of our economic system, appears unavoidable.

Is there any "optimal" way of resolving such conflict? Certainly no choice can be made on the basis of economic principles or any other body of doctrine. The public support for policies and measures designed to maintain effective competition appears today to be quite strong. But the community appears also to encourage, or at least approve of, collective bargaining and trade unions. Under such circumstances, public policy will be determined by the community preferences with respect to those spheres of economic activity which should be dominated by the process of collective bargaining and those by the functioning of competition. The problem of "appropriate" limits to union market power is thus basically a political question.

Political questions, however, need not be answered by a public ignorant of the issues involved. Economists and other students of public policy in the fields of labor and business organization can help the community resolve the apparent conflict between the values of collective bargaining and competition by contributing to a clearer understanding of this problem: How much of the one must be sacrificed in order to secure some part of the other? It appears likely, for instance, that there are some types of union activity which seriously damage the competitive process without contributing a great deal to the unions' ability to attain their ends. If so, may not even the strongest adherents of collective bargaining agree that limitations on this type of exercise of union market power may prove to be beneficial to the community? ■

AMERICA 1975

SERIES

Business Learns Communicate

Greater maneuverability within the organizational structure provides better understanding from top to bottom

by Richard S. Halpern

THE FREQUENT appearance of communications as a topic at management conventions, in the journals and even in popular magazines, reflects a growing concern among businessmen over recurring breakdowns in their communincations systems. More and more, large corporations are turning to the sociologists, psychologists and management consultants for help in improving their "lines of communication." But despite some signs of progress, there is every reason to believe that communications will still be a major source of trouble for big business in 1975.

The crux of the problem is that in today's large, complex corporation with its many-layered administrative hierarchy, the psychological and sometimes physical distance between boss and worker has become so great as to make communication extremely difficult.

In a small organization there are fewer people, fewer levels in the organizational hierarchy, and employees communciate with each other largely through face-to-face contact. A worker's job becomes meaningful, both to him and to his associates because he can readily see its relation and importance to other jobs and to the organization as a whole. Similarly, he can readily send and receive messages which have importance to him both as a person and as a worker performing specified tasks.

But in a larger organization, a big factory for example, a worker's perspective tends to narrow to his own increasingly limited function, and he loses track of the relationship of his job to the operation as a whole. Looking at his own corner as if it were the whole factory, he sends messages

which are unrealistic and sometimes incomprehensible.

It might seem logical, then, to suggest that by 1975 the communication problem could be at least partially remedied by smaller business units. This has doubtless been a factor in the decentralization planning of a few large companies such as Continental Can, Union Carbide and Carbon, and Sears Roebuck. But what about our huge steel mills? It is obvious that such action would be impractical in many of the large-scale operations of modern industrial production.

The very complexity of modern industry challenges the effectiveness of any system of communication. Workers performing different functions in a plant may find they cannot understand each other. A loom operator, for example, might sound unintelligible to the machinist in describing a new piece of equipment needed for the loom. A social psychologist would say that their *frames of reference* are different because what they do is different. But specialization—or, more exactly, the division of labor—which causes the trouble also makes it possible for groups of people to aim at and successfully achieve goals which would be far beyond the reach of their powers as individuals. The special communication problems thus created must be solved by such methods as channeling information through supervisors conversant in both areas or by standardizing technical terminology.

More complicated, and consequently more difficult to deal with, are the many hazards to effective communication which arise from the worker's own attitudes. Take, for example, the human desire for recognition—in this case, from the boss. Being very sensitive to his boss' moods, opinions, likes and dislikes, an employee is easy prey to misunderstanding or confusion.

A typical illustration is that of a foreman walking into a shop with matters other than the shop on his mind. Being preoccupied, he doesn't notice Joe, who is standing near the schedule desk waiting to hear the usual, "Good morning, Joe. How's everything?" But the foreman doesn't say anything, and Joe becomes upset. "What did I do wrong? Am I going to be sacked or demoted?" For the rest of the morning Joe is so busy trying to analyze what might have accounted for the foreman's behavior that he is only half on the job.

OR SUPPOSE the boss *does* speak but his meaning seems ambiguous. His casual remark some

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morning that "the girls must be happy this morning—they're all talking and laughing" may start the foreman on a day of worrying. "Wonder if he thinks they're making too much noise? Maybe he thinks I'm not firm enough."

This dependence on the boss' moods also makes it inherently difficult for the fellow lower on the organizational ladder to communicate effectively with higher levels of authority—and his problems increase with the lengthening of the "chain of command." Sometimes his message is stopped before reaching the boss, not by the complexity of the organizational structure itself but by someone who feels his interests would be hurt or his position threatened. The fellow on the lower level of the ladder, therefore, finds himself forced to consider not only the manifest content of his message but the consequences for himself and others merely because the message was sent at all. Combined with this is the tendency, stemming from the employee's sensitivity to the boss, to "give the boss what he wants," or, more specifically, to convey the impression that he is handling the job efficiently and rationally.

Such hesitation on the part of employees to "speak up" often results in management being without facts it should have. When Jack, a supervisor in the tooling department, discovers that he does not have enough brass rod to complete an order and that the stockroom is out, he realizes it is his fault for not checking the supply sooner. On the other hand, the stockroom had failed to let the supervisors know that those who needed brass rod should place their orders immediately because the usual supply was running low. Jack figures that if he tells the boss, there'll be "thunder and damnation" not only for him but also for the stockroom gang. So, instead, he makes arrangements with another company to borrow enough rod to see him through until the stockroom's order comes in a week later—arrangements which may or may not be to the best over-all interests of the company.

ELIMINATING such "bottlenecks" from *worker-to-boss* communication is going to be a big problem for the sociologists, psychologists and management consultants now being called in by the more alert organizations. But it is only part of the picture. Much still needs to be done in the field of *boss-to-worker* communication.

Unlike the immediate, operational message of the individual worker, the boss' message is generally of wider scope. Unfortunately, it is often couched in general terms, leaving it up to the

subordinate to spell out the details into specific operating instructions. A mistake in interpretation at this level can obviously be dangerous or costly, or both.

In order to accomplish effective communication, the worker must be provided with full and unambiguous information. People form opinions and attitudes every day, with or without adequate knowledge. More than one executive has painfully discovered that when workers are not given reliable information, they depend on rumors or even their own imaginations to make sense out of their environment. As often as not, the result is a hodgepodge of distortion and fantasy, which lowers morale and creates what are called "human relations difficulties" for management.

Take the case of a steel company which installed counters on its machinery in order to measure peak production periods. Knowing when these peak periods come would enable the production engineers to smooth them out so that production would flow evenly all the time. But the employees hadn't been told why the instruments were being installed. They immediately assumed that management thought they were inefficient and was putting in measuring devices to find out when they were loafing. As a result, there was a lowering of morale and production. Without knowledge, the employees had made their own interpretation of the situation.

Recognition of the relationship between high morale and high productivity has fostered a whole new philosophy of management. Gone is the concept of workers as "imperfect machines." As economist Peter F. Drucker of New York University has cogently remarked, in a free society the worker has a right to demand that his work be meaningful and serious. To management, this means employing the *whole* man, not just a hand. It means that consideration should be given to the worker's "human" needs—a sense of accomplishment, a sense of belonging both as a human being and as a citizen. A worker's job must be a means for self-expression and recognition.

One obvious result of this new philosophy is the rapid growth of the practice of publishing a house organ, i.e., the company magazine, newspaper or bulletin. Through the house organ, management tries to fill the worker's need for solidly founded information about his place in the company, his job, his future and what he is doing and why. Along with this, company policies are explained to him as clearly as possible.

Successful as some house or-

gans have proved to be, they cannot do the whole job of *boss-to-worker* communication. The impersonality inherent in any organizational structure generally results in the information thus passed down to the worker being fairly formal in tone, often slow in reaching him, with final answers likely to be ambiguous or couched in too general terms.

When workers do not understand their company and its officers, insecurity emerges, and along with it a negative image of the company as a cold, unfeeling, monolithic giant whose head is seen only dimly, if at all. It is a problem that will be receiving more and more attention from businessmen in the coming years.

And what does all this mean in terms of the business communication picture in 1975? It is difficult to predict the exact form of the new communication techniques which will come from current studies of the problem, but it is reasonable to suppose that the business community will be much more acutely aware than today of the social and moral responsibilities that a business has to its employees.

In addition, automation and a general raising of educational levels, both now beginning to have an effect, may by 1975 have caused major changes in traditional concepts of business administration. With machines doing much of the work requiring physical strength, manual skill or sensory perception, many productive and service units will have been redesigned to take advantage of the uniquely human capacity for coordination, integration, judgment and imagination.

The greater productivity and shorter work week which automation will make possible is certain to create more than enough new jobs for all the workers now tied to heavy physical labor. And making the worker eligible for jobs which carry more responsibility and offer more opportunity for initiative will be his higher individual educational attainment and competence. In many areas, "lines of communication" will be shortened.

The possibility of these developments and their consequences for the problem of effective business communication are constantly being explored today by experts in the field. But the problems are complex, and though significant progress is certain by 1975, internal communications will doubtless still be one of the big problems facing big business. ■

Changing Pressures on Representation

AMERICA 1975 SERIES

Allegations that geographic representation is outmoded underestimate the flexibility of our present political system

by Karl Schriftgiesser

SOME OBSERVERS, looking over the current political scene, predict that by 1975 the American individual may have even fewer means than he has today for making his needs and desires felt through our historic system of representative government. They even go so far as to suggest that our time-tested two-party system may have become obsolete. Only by resorting to some impersonal pressure group, they contend, will the individual be able to make his voice heard.

Such Jeremiahs insist that we already have a pressure-group government so well established that it makes two-party government meaningless—in the sense that neither major party is able to write strong platforms and programs expressing a fundamental difference with its rival. According to them, the individual seeker of a political philosophy finds himself swamped amidst the regional deals of party bosses trying to hold together a meaningless coalition of special interest groups unconcerned with the general welfare.

That there is some truth in this was evident in the recent struggle within the Democratic and Republican parties over the natural gas bill. Since both parties represent oil producing as well as oil consuming states, neither was able to take a strong stand for or against the bill.

But such dire predictions are based on a misunderstanding of our form of government. Many Americans have labored too long under the delusion that our representative government is as simple and pure as the Greek *polis*, or, to use a more likely example, the New England town meeting. Such

an argument ignores the essentially group nature of politics. It ignores the history of our two-party government, the development of our Congressional system and the actual function of private interest groups at work within this frame.

Realists, however, recognize the dangers to representative government in the continuing conflicts among private interests as each struggles to gain its private ends. They point to the development of more and better organized private interest groups, each seeking to impose its will on the national legislature. Some of these pressure groups are of fleeting importance, designed to press for or against a specific piece of legislation. A growing number, however, will establish their permanency on the national scene by becoming more and more national in character. Even if a particular interest is local, the lobby in question will try to convince the country at large that the stake involved is of utmost national importance. By using the mass media and other techniques of modern public relations, interest groups will work on the national level to "create" opinion in their behalf.

The area for this type of effort will widen. By 1975, even more than today, almost any issue which can come before Congress will, I think, be increasingly of national importance. This, of course, does not mean that an Ohioan will think of tidelands oil as does a Texan, but he will think of them and know that in the long run their disposition affects him, although not as immediately. Our early states' rights sectionalism that led New England to talk secession as long ago as 1794 may be dying, but sectional conflicts still remain, and probably always will.

There will still be bruising conflicts, fought out in Congress, over such seemingly local problems as the distribution of electric power from atomic plants, the relocation of whole areas because of seaways and the dispersal of uneconomic farm surpluses. These are very real problems which arouse feeling on a sectional basis.

But we are more national than ever before, and our two-party system has been one of the main influences in bringing this about. In a sense it has made our system of geographical representation work for the national interest. The development of the two-party system, as it is today, has enabled an eighteenth century constitutional experiment to bear the pressures and satisfy the demands of the twentieth century. Without

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Karl Schriftgiesser, author of the book, *The Lobbyists*, has been a long-time student of the interaction between politics and economics.

the growth of the two major parties, we would still be a country besieged by sectional interests.

PARTY conflict changed the nation from rule by the rich, the able and the well-born to a form of democracy wherein each individual has at least the legal right to participate in the electoral process.

In their continued struggles to win elections, the parties have had to bring diverse elements into some form of compromise. Thus they have been one of the most stabilizing influences in a country which tends to be torn by sectional and group conflict. And this in spite of the fact that their platforms are too often designed as a catch-all, or fail to take determined stands of the most vital social issues when they first arise.

Precisely because the parties often evade the real issues in writing their platforms, a complete consensus and compromise does not take place within the national party. These are left to be hammered out within the shifting Congressional alliances. And this leaves the gap through which the interest groups enter.

It is at this point that party discipline breaks down, where an individual Congressman may vote against his party's platform. Here private interests and sectional blocs can make the national party seem meaningless to the individual Democrat or Republican who feels he has been deserted by those who have wooed him with words and to whom he has given his loyalty.

Political scientists and practical politicans have tried to remedy this weakness. The Lobby Act of 1946 attempted to regulate interest groups through enforced identification of their membership and the source of their funds. It has had a slightly salutary effect in that it has, as it were, "legalized" the lobby and made it respectable.

Today few would seriously advocate outlawing pressure groups. They can serve, and do serve, valuable functions, such as supplying information and augmenting genuine public interest. To attempt to banish these functions would ignore what Dr. David Truman, the political scientist, calls the "potential groups"—those that are inherent in any open society such as ours, where the rights of the First Amendment are still secure.

BUT the evils of this system are obvious. The interest group does not have to win an election and is responsible to no one. Its main objective is to create a "climate of opinion," real or imaginary, by which it hopes to win the votes of enough legislators on

the floor of Congress to put its ideas across. To the well set-up lobby it matters little which party is in power. It has permeated both.

The number and power of today's lobby groups have led to the suggestion that the many organized interests in our society be institutionalized into some form of functional group representation. This, it seems to me, would lead to political schizophrenia, group conflict and chaos. Such an organization, while having the advantage of making the interest group responsible to a particular segment of the electorate, would actually be far less representative than our often-challenged geographical system of representation.

It would polarize conflicts which might otherwise be resolved by the constant shifting of alliances and balancing of interests which now take place within the national parties and in Congress itself. When two equally strong interest groups such as labor and management become deadlocked—as in the recent prolonged Westinghouse strike where both groups were nearly equal—the possibility of violence becomes imminent.

Group representation would be, in effect, a multiparty system with that system's inherent dangers of instability and fragmentation —at least as long as we continue to have a multiplicity of competing interests instead of an implacable labor bloc *versus* an immovable managerial bloc. The issues of today, and probably of 1975, are too diverse and complex to suggest a straight split down the middle in terms of group representation.

SHOULD organized labor become an even larger force than at present, based on an ever-increasing middle class, could it create a *political* program sweeping enough to command the loyalty of all the many elements which make up "labor" as a group? The man who belongs to a labor union may also be a stockholder in several corporations. His ancestral or religious background may well make him shy from an over-all labor policy on, for instance, immigration. Each individual has many deeply seated interests and he "belongs" by instinct, education and culture to too many other groups for any one to command his entire loyalty. There are Republican ditch-diggers and Democratic millionaires.

If ownership of industry achieves a broader, more middle-class base—as the present trend seems to indicate—then it is hard to see a managerial class possessing an ownership loyalty. It will, rather, have to develop a trusteeship philosophy, which may or may not mean a reversion to

feudalism, but probably not because the managerial class will not possess the means of complete control.

Out of necessity the managers will be responsible to many stockholders of diverse loyalties. Thus, for the immediate future, I doubt that we are going to experience an old-fashioned economic split. While our society will become increasingly organized in terms of groups, each member will have "membership" in a number of groups—many with conflicting interests.

But if we have no reason to fear an old-fashioned economic split, we may still have to face the problem of maintaining the integrity of our present system of government against the inroads of special interest groups. This system of geographical representation, with all its faults, is still the best frame within which to act upon problems which are local in origin but national in implication. Many thinkers have suggested that by strengthening the two-party system through the enforcement of better party discipline, by the creation of a stronger and more permanent national committee, the area in which private groups could act would be lessened but not destroyed.

Strengthening the political parties would tend to direct interest groups toward the national conventions, where the platforms are written. Consensus would take place there in the form of a meaningful platform which could be translated into action on the floor of Congress.

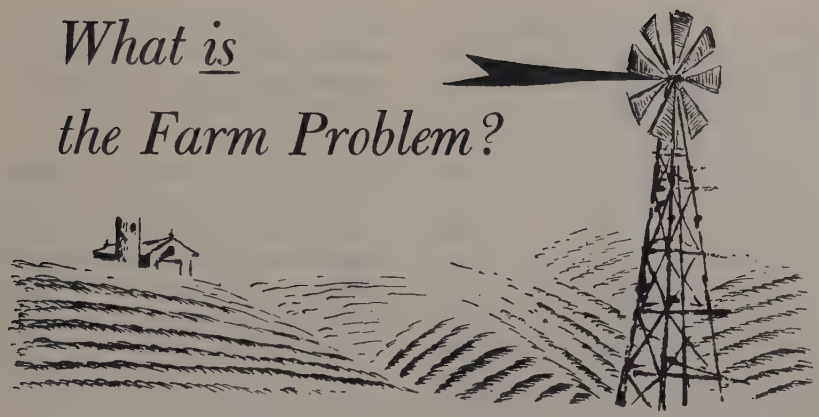
This solution would certainly not lessen the group and sectional conflict, but it would focus it where the public would be aware of the issues at stake. It would—and perhaps this is of the essence—provide the electorate with a platform that would serve as a general, philosophized outline for a more consistent legislative program.

With the two parties more severely disciplined from within, with their economic and political philosophies more carefully worked out and presumably more rigorously enforced, the individual would know better than he does today where to turn on election day. ■

Farm Income

APPROXIMATELY 95 per cent of the cash income from farming is received by some 55 per cent of the farmers in the United States, according to a recent survey by the Twentieth Century Fund.

What is the Farm Problem?



by Haig Babian

There is a surplus of farmers as well as of farm commodities

FIFTY YEARS from now, when the farm problem as we now know it has been resolved, econnomic historians will be referring to the farm legislation of 1956 as "an unjustifiably messy law hopelessly intended to relieve a messy agricultural economy." We cannot expect our descendents in the twenty-first century to be charitable about our twentieth century follies.

However, it should be set down for posterity to ponder that we really are not as bungling today as we might seem fifty years hence. We *do* know better than to try to solve a problem by compounding it. The trouble is, for a variety of reasons we cannot get ourselves to admit publicly what we privately know to be the truth about the farm problem: to wit, there just isn't any solution which can "keep 'em all on the farm."

Our folly is that we keep pretending there is a solution, thereby elevating to the status of normal, progressive policy the emergency measures which are really the tactics of expediency.

Anyone who examines the pertinent statistics will have to admit that the difficulties of many farmers are not imagined. Only two million of America's more than five million farms are grossing $2,500 or more per year. Prices received by farmers have declined by 8 per cent since 1947 in spite of government price supports and other aids; while farm costs have risen by 13 per cent.

In all, there has been a 15 per cent drop in net farm income since 1947, with the period since 1953 accounting for the bulk of the decline. Thanks to the two million people who since 1947 have moved off the land because they couldn't make ends meet, farm income per capita has remained comparitively stable. But this is like throwing people overboard to keep a leaky ship afloat; and it is small comfort to farmers in trouble who are sticking to their holdings while waiting to see what the new farm bill will do for them.

Many reasons have been advanced for the "plight" of the American farmer today, but the least publicity has been given to the real reason—namely, that there are too many farmers in the United States. Dust bowls and droughts have come in for their share of the blame, but such explanations can hardly account for the financial troubles of farmers in unblighted areas. Besides, there is something perverse about the way farmers get higher prices for their crops whenever a drought has ruined the previous season's harvest.

There used to be a time when farm mortgage holders (i.e. banks) were thought to be the bane of American farmers, but that whipping boy can no longer be used because the federal government has leaned over backwards to make mortgage credit, and every other kind of credit, as readily and cheaply available as anyone dares.

From time to time the accusing finger is leveled at the industrial trade unions, presumably because factory wage rates are rising so rapidly—and therefore the price of factory goods—that the cost of things the farmer must buy far outpaces his ability to pay. The logic, or illogic, of this kind of thinking seems to be that the rate of economic progress must be no faster than the pace of the slowest-of-foot. Such an outlook is hardly in keeping with America's ideal of a dynamic economy.

The truth is, for the most part the urban worker is being rewarded for the increasing productivity in his economic sector. For reasons which are unique to our agricultural structure, only a part of the farm population has fallen in with the mainstream of general economic progress. Another part has fallen behind. The fact that some farmers can keep up with the general pace while others cannot is proof enough that the whole of our economic system is not at fault for the disabilities of one part.

Still another reason advanced for the troubles of the farmer, one that received a great deal of attention during the past year,

is the ever-increasing role of the "middleman," who allegedly is adding to the price spread between what the consumer pays for foodstuffs and what the farmer gets for his produce. The difficulties of the farmer notwithstanding, the statistics exonerate the middleman. Since 1945 the farmer's share of the consumer's dollar has dropped from 53 cents to 41 cents. During the first quarter of 1956, this share was down to 39 cents. But this does not mean that the middleman was forcing the farmer to sell at less than what farm commodities could command in the market. It merely means that the consumer was paying more for the services of the middleman. It so happens that the consumer got more service. It also happens to be true that since 1947 the profit margins of processors, wholesalers and retailers have declined by an average of 28 per cent. General marketing costs for all sectors of the economy have risen 83 per cent since 1945; but farm marketing costs have gone up only 13 per cent. Obviously, no one is gouging the consumer while at the same time riding roughshod over the poor farmer. The prices the farmer gets are low because the farmer is on the short end of the supply-and-demand measuring rod.

Occasionally, analysis of our farm problem will bring up the matter of efficiency. There is valid ground for discussion here, for obviously those who are efficient as farmers and as farm businessmen should be able to stay in the farm business, and those who are not will have trouble just to hang on. This seems logical enough as a simple rule of thumb, but in our agricultural economy nothing is as simple as that. The painful truth is that too many of our farmers have become *too* efficient at production. Over the past ten years farm efficiency has been moving ahead faster than that of any other sector of the economy. The average farm worker in the United States has more than doubled his productivity since 1930. In another twenty-five years he will have quadrupled it. The net result of all this increased efficiency is that farm production since 1945 has been rising by more than 2 per cent per year. Neither our population growth nor agricultural exports can keep up with such a rate of increase. The disastrous effect of continued overproduction on the price of farm commodities is not difficult to foresee.

It is not the level of efficiency of the farmer that is at fault here, but the *type* of efficiency displayed. The farmer who increases

his production to make up for falling prices, as many have done, may maintain his gross take, but he will net less. Such a farmer can survive only if the government favors him with price-supports. The truly efficient farmer is the man who can reduce his costs more than the decline in farm prices and sales, thus stabilizing his net and avoiding surplus production. But this kind of game only the most totally efficient can play, and inevitably those who are less efficient will have to withdraw. Withdrawals are occurring all the time. There would be more, and sooner, except for the federal government's constant intervention.

Much has been said about the plight of the small, family farmer. Undoubtedly, he is in trouble. He and others like him are the owners of America's one million truly marginal farms which produce barely 8 per cent of the total U. S. farm output. As full-time farmers, these one million farm families do not have much of a chance against the two million large, family-operated farms and the one hundred thousand big commercial farm enterprises which between them account for nearly 90 per cent of all farm sales. Cruel as it may sound, it would seem that the one million marginal farms are expendable and in all likelihood will have to be sacrificed for the sake of a more stable agricultural economy.

ESSENTIALLY, it is not so much the small farmer who typifies the problem farmer as the small farmer who *remains small.* The government's price-support and other programs help him the least of all the different classes of farmers. His holdings are too small to command substantial sums from government assistance programs. His financial resources are too limited, as are his gross profits, to allow the heavy capital investments ($14,000 per farm worker) today's efficient farmer must make to remain efficient. For many of the small farmers, the prospects, therefore, are that they will remain small.

As stated earlier, the crux of the farm problem today is that there are too many farm families producing too much for the good of all farmers. Undoubtedly the troubles on the farm, or, to be more precise, on some farms, reflect a long-range adjustment to the many changes in American life wrought by the industrial revolution. Because farming is as much a way of life as it is a way to make a living, farm families tend to stick to their work long after their line of work has ceased to pay off. Whereas the urban worker, under the impact of increasing mechanization, found it

feasible and profitable to make the transition from carriage maker to auto assembly line worker, the farmer was tempted to stay at farming even though mechanization meant more farm production with fewer farmers.

Moreover, traditional American concepts of man on the land favored the bias the farmer has for his way of life. Such oft-repeated platitudes as "The family farmer must not disappear because he keeps alive and perpetuates true American values" do not distinguish between farmers who make a living and those who do not. Obviously, some who use that line are more interested in the farm vote than in fine points of distinction. But there are many who sincerely believe that America will have lost something precious if she should forego the 1890 image of what a farmer should look like. Thus, between political expediency and misguided sentimentality we find the reason and justification for the paternalism of the federal government toward the nation's farmers.

But all that has been contrived to supplement the periodic declines in farm income—government loans or outright purchases of commodities, subsidies, parity payments, soil conservation gimmicks, acreage allotments, soil banks—has not kept the small farmer from moving progressively toward marginal status. Exodus from the land is now at the rate of one million persons per year. In 1930 our farm population represented 25 per cent of the total; by 1975 it will be 8 per cent. This whittling down process is inevitable and will eventually lead to a balanced, efficient and economic agricultural structure. Thus, about the time when politicians will no longer have to worry about the strength of the farm vote, the need for government aid will have been reduced substantially.

In effect, the nine billion dollars the government has tied up in surpluses today—plus the billions to come—will have served a humanitarian cause by easing the process of dislocation from the farms. That the dislocation will be substantial there is no doubt, for it involves not only those who are marginal farmers, but those who appear to be only somewhat better off.

In the last analysis, time will ease the farm problem in the only realistic way it can be eased: by decreasing the number of people engaged in farming. The farm bill of 1956, like all previous "farm problem" bills, does the only thing that a government can do for farmers who are caught in a change in their way of life. It marks time while nature takes its inexorable course. ■

How Much Fraud in Our Advertising?

by Alfred Gross

Less than most people suppose, though we shall always have a small amount

HAVE YOU ever had the experience of shopping for something in a place where familiar brands were not available? On a recent trip deep into Mexico we found ourselves faced with the elementary problem of buying oil for our automobile. None of the brands with which we were familiar back in the States was available. What should we do? Well, we did what the average consumer would do; we bought the most expensive item offered. Did we get a high quality oil? Were we overcharged? We don't know.

How would you buy a wrist watch? You probably would go into a jewelry store to look at watches. What would your reaction be if the dealer showed you a watch with an unfamiliar name? Would you tend to be skeptical of its merits? Would it make as effective a gift as a similar looking nationally advertised watch? Probably not. We depend heavily upon advertising to help us make the proper selection with confidence.

And yet, in spite of the value of advertising, its practices are periodically the subject of considerable criticism. In the last few years, for example, food-freezer plans have come in for their share of criticism because some promoters have used misleading advertising to push sales.

Exaggerations and misleading claims can always be found if one wishes to look for them. Advertisements for merchandise which "has just been sold," cut-price goods which seem to bear no relation to the supposed original price, claims of "beautiful con-

dition" which, upon closer inspection, mean that the four wheels are still on the used car, are but some of the more blatant examples of fraudulent advertising.

Such frauds make it appear as if advertising is in a pretty sad state. However, a bit of history at this point should give us some perspective.

Even as short a time as fifty years ago when most of the downright vicious advertising had been curbed, serious misstatements were not uncommon. A classic story is told about a merchant who advertised sewing machines for one dollar and then sent his customers a needle with sewing thread. Another one offered a sofa and two chairs for less than five dollars, for which the purchaser received toy-sized units.

We have come a long way since then. Turn the pages of your daily newspaper or leaf through a few well-known magazines. Can you find even a handful of seriously misleading ads out of the hundreds you examine?

It is true that when one turns to the weaker media, questionable material begins to occur. Unfortunately, a "hungry" medium will look aside when borderline material is presented.

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But when is an advertisement misleading or fraudulent? It has been the author's experience that when a random group is permitted to discuss this subject, the reactions to a typical ad will vary from no irritation whatsoever to intense irritation. Generally, all will agree that they object to "high pressure." But what is "high pressure"? Each person expresses a somewhat different point of view, although all condemn intentional misstatements of basic fact.

MARKETING men complain that people read too much into sales promotion material. In the following warranty, for example, the manufacturer specifically states what he is warranting and the limits of his responsibility:

"We warrant each new product manufactured by us to be free from defective material and workmanship and agree to furnish a new part in exchange for any part of any unit of our manufacture which under normal installation, use and service discloses such defect, provided the part is delivered by the owner to us or to our authorized dealer for our examination with all transportation charges prepaid within 90 days from the date of sale."

Does this warranty include the labor to find out what is wrong, to remove the defective part and

to replace it with a new one? Not according to the warranty. The manufacturer thought he had made that point clear. But not so, to hear the purchaser tell it. Today, most electronic equipment warranties include an additional statement: "This warranty does not include labor charges . . ." Legally this is not necessary, but to protect good will, it is.

Similarly, people tend to read too much into advertisements. Many cases of serious irritation have little or no basis in fact. Too often, our wants and desires are ahead of the facts.

Much of the difficulty stems from a certain amount of exaggeration in which sales people are prone to engage. Should we honestly expect clear-cut *objective* statements of fact from salesmen and advertisers? Is it improper to advertise a particular automobile as "the most beautiful in the world"? It is only natural for the seller to be enthusiastic about his product.

Besides, most advertising is designed to build good will. With many products, promotion costs on the first sale are far greater than any possible profit margin. Quite naturally, it is the follow-up purchase that the advertiser strives for so diligently. Would it make sense for such an advertiser to mislead his customers knowingly? Fraudulent advertising and continued good will do not go together.

The Federal Trade Commission, which is actively engaged in the work of curbing misleading advertising, has studied this problem statistically. Of more than one million advertisements reviewed, fewer than 1,300 were found to contain objectionable material. We should not condone these 1,300 questionable ads, but neither should we forget that only one in every thousand was deemed to warrant corrective action.

Nobody has yet discovered a way to make the consumer buy something against his will. If a particular style or product idea does not meet with the approval of the market for which it is intended, that product does not last for very long.

Another major force which works diligently to keep advertising clean is the business association. Why should businessmen concern themselves with policing advertising? No businessman wants to see his competitor "get away" with advertising which will hurt him or the industry.

BETTER Business Bureaus not only check complaints and investigate infractions but also cooperate with police authorities to stamp out fraud. Chambers of

Commerce often operate in a similar manner. Trade associations do such work within an industry.

Advertising media also exert great pressure to keep the field clean. Today no respectable advertising medium will knowingly run fraudulent or even misleading copy. We should not blind ourselves, however, to the weaker job done in this respect by lower quality media, which appeal to an audience that is more readily susceptible to misleading advertising. Unfortunately, it would not be feasible to eliminate this small group completely without seriously endangering our basic freedoms. It is by taking advantage of the broad rights exercised by all our citizens that a tiny but disproportionately irritating group of firms hawks its wares in an undesirable way.

Advertising also receives official scrutiny on all three levels of government. Nationally, there are the Federal Trade Commission, with its Fair Trade Practices Codes, and the Pure Food and Drug Administration, which maintains a very strict control in its special field.

Thirty states have what are called "Printer's Ink" statutes to stamp out "false, deceptive or misleading advertising."

At the local level, the police departments as well as the departments of markets, health, weights and measures all assist in keeping advertising clean.

With such a wide range of controls pitted against him, it is a foolhardy individual who purposefully engages in fraudulent advertising. Far more is to be gained when business talents are used in constructive promotion.

A small but vociferous group objects to all forms of advertising. These same individuals, however, find nothing contradictory in buying only a famous brand refrigerator which is demonstrated by an attractive young lady, or looking for the cola drink which offers twice as much for the same price. Like the rest of us, they would be lost without the hallmarks of advertising and brand names to guide them, despite protests to the contrary.

Some fraud will always be with us. There are people who will forever rack their brains to take advantage of others. Forces exist for dealing with such elements in our marketing structure, but it is fatuous to assume that with a little more pressure they could be eliminated.

Nevertheless, the vast bulk of advertising is sound and improving all the time. The ancient expression *Caveat Emptor!* (Let the buyer beware!) has given way to *Caveat Vendor!* (Let the seller beware!) In the last analysis the consumer is king. ■

G. Keith Funston

President, New York Stock Exchange

The Stock Exchange Takes Stock of Itself

Q MR. FUNSTON, *what is the principal economic role of a stock exchange in a free economy?*

A The New York Stock Exchange is a market place for securities. It is the nation's largest organized securities market where hundreds of exchange member-brokers daily buy and sell for thousands of people the stocks and bonds of America's leading corporations. The prices reflect laws of supply and demand.

Q *What proportion of our capital requirements is met by the issuance of marketable equities?*

A This problem has occupied much of our attention. Looking back on a prosperous business decade we find that when corporations went outside for new money—that is, to the public and to financial institutions—they actually borrowed three dollars for every dollar raised through new stock issues. Unless this imbalance changes, corporations may pile up debt to an unhealthy level.

Q *Some economists have maintained that as our large corporations come increasingly to rely on the reinvestment of undistributed profits and the sale of debt obligations, stock exchanges will come to play a less significant role in financing industrial expansion. Do you agree?*

A No, not at all. The needs of the future are so enormous that the exchange will have a *more* vital role to play. Our research indicates, for example, that an incredible amount of new equity capital—about

sixty billion dollars—is needed in the next decade to meet business growth requirements on a sound basis. This is triple the equity money raised in the past decade. There is also a question as to whether corporations can rely as heavily on internal funds as they have been doing.

Q *Does that estimate assume that industry will have to rely on an increased proportion of equity money in its expansion plans?*

A Yes, it does. Sixty billion dollars today assumes an equity-debt ratio of 40 to 60 as against the last decade's 25 to 75. Frankly, I consider the ideal would be an eventual 50-50 equity-debt ratio.

Q *Why this increased proportion?*

A Let me put it this way. Companies must finance the future on a sound basis. To do this they must also remain flexible enough to meet changing situations. They should not assume high fixed charges that may prove burdensome in the event of an economic downturn.

Q *What is the market potential to meet this new equity demand?*

A We look at the number of potential investors this way. There are at least seven million business and professional men and women. Four out of five of them are not shareowners. This is our primary market —5.5 million individuals in key occupations who own no shares. Many of them are included in our broader secondary market. Here we find 12.5 million consumer spending units who in early 1955 enjoyed a cash or an equivalent income of $7,000 or more before federal income taxes. Only about 25 per cent of these families are shareowners. Since 1941 these middle and upper income millions, with incomes of $7,000 or more, increased in number by 210 per cent even after adjusting for higher prices. And by 1965, assuming constant dollars, their numbers will likely increase another 50 per cent.

"As a nation, we need more capitalists"

Q *Is the raising of equity capital the only reason, or even the principal reason, for wishing to broaden the basis of stock ownership?*

A No. At the Stock Exchange we believe people everywhere should be given the chance to own a share of American business and to share more directly in the rewards of our growth. As a nation, we need more capitalists. We need people who understand the facts, appre-

ciate the risks and seize the opportunities. The only thing wrong with capitalism is that there still aren't enough capitalists.

Q *Has our middle-income group shown any significant interest in shareownership in the past?*

A Our middle-income groups have shown a very active interest in shareownership. All available studies contradict the tintype image that shareownership is confined to that old gentleman of staggering wealth. Actually, some 75 per cent of America's estimated 7.5 million shareowners earn less than $10,000 a year, and almost 30 per cent earn less than $5,000. I might add that the results of an exciting new census of shareowners, now being tabulated, will be announced shortly and will give us a current picture of American business today.

Q *What happened to that old gentleman?*

A Oh, he's still around, but there aren't many like him any more. For one thing, the patterns of wealth have changed in America. High progressive taxes have almost eliminated the very wealthy as a prime source of new money. Instead, an increasing number of middle-income millions has come to hold the real balance of our economic power.

A realistic perspective of what our free-enterprise system means

Q *Can stock ownership influence public attitudes toward a free-enterprise system?*

A Indeed it can. Through stock ownership people learn the meaning of risks, of profits, of the attitude of enterprise, among other things. We have found that a stock certificate gives new shareowners a personal, realistic perspective of what our free-enterprise system really means. Through annual reports and dividend statements, shareowners become aware of tax problems, the nature of competition, the problems facing management, and so forth.

Q *Do you think that such a broadening of stock ownership is feasible?*

A It is happening every day. For example, we learned in early 1952 through an exhaustive study by the Brookings Institution that there were 6.5 million people who were the voting owners of publicly held

companies. By late 1954 this figure had grown to 7.5 million. This, of course, is in addition to the estimated two million who own shares in privately held companies. This substantial increase, it seems to me, shows how the base of stock ownership has already broadened. Preliminary data from our new census indicate that the number of shareowners is now more than the seven and one-half million figure of 1954.

Q *What, in your opinion, are some of the chief obstacles to a more widespread distribution of stock ownership?*

A Perhaps the biggest need is public education. This is necessarily a long, slow and painful process. Our research tells us what people know, what people don't know and what they think about security investments and the Stock Exchange. According to these surveys, for example, only 23 per cent of the adult population can adequately define common stocks, while half the adult population doesn't know the location of a brokerage office. To cast some light in these dark corners, our education and information programs explain to people how the Exchange serves the nation's economic structure, what the risks are and how stock investments can be tailored to meet particular needs.

Q *Is there any stumbling block for the man out in the field seeking to sell stock?*

A Probably the biggest stumbling block to the representative dealing directly with the customer is our community's self-imposed insistence that the prospective customer be qualified to invest, that he be prepared to do so on a sound basis, that he be willing to stay away from tips and rumors, and be on guard against get-rich-quick schemes.

Q *How can the individual of modest means be encouraged to buy stocks?*

A This is largely a matter of education. We are carrying the ABC's of sound investment practices directly to the public through all the modern means of communication. Our message is almost always the same—additional millions of people have the opportunity to own shares in American business on a sound basis, and can share in the rewards and risks of business' future growth.

Q *You mention risks. What do you tell the public about them?*

A The investor is warned at every turn that risk as well as reward

is inherent in stock ownership. We have been entirely clear about this. Investment is an act of risk taking. No one should be fool enough to think that he can predict the future with absolute certainty. America was built on risk, and that risk is part of our heritage. We do not have to apologize for the country's future, and we can say that this is still the land of promise. It goes without saying that a man's dollars wisely invested in stocks have a way of returning an increasingly higher standard of living.

Q *Have you developed any special techniques to attract the man of modest means?*

A Two years ago we established the Monthly Investment Plan to satisfy the needs of people who want to invest regularly out of income. This has enabled many thousands of new investors to purchase shares already, and will attract even more in the future as the plan is more widely publicized.

MIP: a method of buying shares by the dollar

Q *Can you describe MIP briefly?*

A Basically it works like this: a person can invest as little as $40 every three months in any stock listed on our Exchange. You might call this a method of buying shares by the dollar. Forty dollars would buy two shares of a stock selling at $20, or half a share of a stock selling at $80. During the life of an MIP plan, stock prices will naturally fluctuate. If they rise, the plan buys fewer shares. If they fall, it buys a larger number of shares.

Q *Is this plan contractual?*

A No, it isn't, and it carries no penalties or service charges other than the normal brokerage commissions. Incidentally, our experience indicates that MIP investors are inclined to buy stock for the long-term anyway, so they are not apt to be too concerned with the minor fluctuations on a day-to-day basis.

Q *What about your member firms? What have they done to help broaden shareownership?*

A Member firms all across the country have opened new offices and recruited new people. Right here in New York State, for example,

this expansion was out of all proportion to the statistical population growth. Census figures show an increase of about 20 per cent in the last five years outside the New York City area. Our members increased their offices by 31 per cent. In addition, they have carried the investment story to the public through advertising, education and a new Investors Information Program.

Q *Are there other signs of an increased interest in investments?*

A There are many signs. The number of shares listed on the Stock Exchange and thus more readily available to satisfy investment needs has increased by almost 100 per cent since January of 1950. Shares listed passed the four billion mark several months ago. You can scale this against a fascinating parallel: it took the Exchange 138 years, from 1792 to 1930, to list its first billion shares, and only two years to list the latest billion.

Q *What else, in your opinion, makes it sounder today for the new investor?*

A Our high standards for listed companies have been strengthened even further so that investors receive the full detailed information they need to reach sound decisions. All common stocks listed on the Exchange carry the right to vote. Some 97 per cent of all our listed companies provide their owners with interim financial reports. All these things—and many more besides—contribute to real public understanding.

Q *Along with this record of progress, you must have had some problems, too. Could you tell us about any continuing problems the Exchange faces?*

A We have had problems of one sort or another for a long time now, and I suspect that we always shall. We still face the job of attracting more qualified member firms to serve a wider public throughout the nation. We want to encourage more companies to list their shares and finance their growth through stock issues. We want to obtain relief from the capital gains tax and the double tax on dividends in order to bring out more venture capital. We want to find new ways to handle the complex needs of institutional investors. These, among others, are some of the more important problems that will be occupying our attention for the next several years.

Q *Thank you, Mr. Funston.* ■

you may want to know...

VETERANS of World Wars I and II who have let their government life insurance policies lapse will find it easier to meet reinstatement costs. Dividends declared during the lapsed years can now be applied against the reinstatement charge. In the past, dividends did not become available until all back premiums plus interest had been paid.

Dead Drugs

THE bathroom is not the best place for your drugs. Moisture and heat cause labels to blur, gelatin capsules to stick together, cough syrups with sugar to ferment, peroxide bottles to explode. Check with your pharmacist on where to store medicines and how long they may be kept. Throw out any drug which has changed its form, smell or color. Aspirin, for example, with a strong vinegar-like odor indicates decomposition. Iodine and medicines with an alcohol base gain strength with age and should be replaced frequently. This and other information is found in a new Bantam Books selection, "The Complete Book of First Aid."

Tenets for Tenants

"WHAT Every Landlord and Tenant Should Know," is the title of a 16-page handbook newly published by the Citizens Housing and Planning Council. Available for 15 cents, it explains the obligations and rights of each group.

Measured Moisture

THERE is a simple way to compute how long to water your lawn to equal an inch of rain—which is enough moisture to keep grass going for as long as two weeks. Count the seconds it takes your hose to fill a 10-quart pail. Multiply by the number of square feet in your lawn, then divide by 240. That, in minutes, will be how long you will have to water. It is better to give

your lawn infrequent, thorough soakings, says the Department of Agriculture, since light sprinklings aid shallow-rooted weeds.

Hot Feet

BURYING your pride and buying shoes half a size larger often pays off in comfort during the summer. Feet normally swell during hot weather. But the swelling is even more severe when you leave an air-conditioned area and go into the heat. The sudden swelling may cause pain if shoes are too small.

Bugless Paint

ADD a tablespoon of citronella to a gallon of paint if you want to keep bugs out of newly painted work in the summer.

Fitting Gift

IF YOU'RE planning to buy a Father's Day pipe, remember that the shape of a man's face determines the type of pipe best suited for him. A raw-boned man needs a pipe with a large bowl. A thin man needs a smaller bowl so his pipe doesn't overpower his face. Stout men look better smoking a pipe with a curved stem—stubby stems emphasize the smoker's already ample width.

Stormy Ending

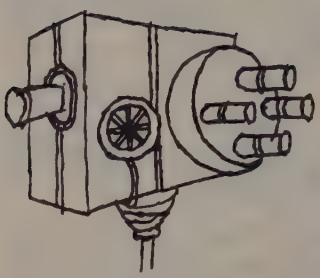
DISCONNECT your radio and television sets during an electrical storm. Since lead-in wires are natural targets for lightning, disconnecting keeps any possible electrical charge away from the sets and prevents tubes from burning out.

Polishing off a Pest

A SMALL hole in a screen—not large enough for a patch, yet big enough to let mosquitoes through—can be sealed with a drop of clear nail polish.

Flag Day

WHEN you display the American flag on Flag Day, June 14, place the blue field, or union, to the right if flying vertically, to the left if flying horizontally. Although the flag is usually flown only on special days, according to Public Law 829, passed by the 77th Congress, it should be displayed every day except in inclement weather.—A.G.



Educational TV—Progress Report

by Nazaret Cherkezian

The first steps are encouraging, but some serious obstacles still exist

IN AN ERA that promises much excitement from the wonderful world of electronics, the future of educational television alternately glistens as the greatest thing since the invention of the printing press and then dulls to the low of "a waste of precious spectrum space."

What its future role will be is almost as difficult to predict as it is to define clearly what we mean by "educational television." In a sense, all television is educational. The great quantity of programs today makes it just about impossible not to become better informed on some subject.

But to distinguish more sharply, if somewhat arbitrarily, between commercial and specifically educational television, it is helpful to keep in mind that the former gears itself to mass audience appeal while the latter is directed at a smaller group. Although the number of viewers is important to both, educational television doesn't react as nervously as its commercial brethren to the ups and downs of the weekly audience rating statistics. Of course, many programs generally considered educational have had mass appeal, so that the definition does not always apply.

Educational television in this country today is represented by nineteen noncommercial stations plus many commercial stations which cooperate with local educational and cultural institutions in public service programming.

Nineteen educational television stations do not seem to be very many when compared to the 440 commercial stations in operation, especially when we recall that the government has set aside 259 channels exclusively for educa-

tional purposes. (In 1952 the Federal Communications Commission ruled that approximately 12 per cent of American television should be conducted, not for business, but for nonprofit, noncommercial educational purposes.)

Actually, the slow development of the ETV station can be partially explained by the lack of advertising revenue. No money was provided to help these channels get started. Also, most of the reserved channels are in a frequency which cannot be received by the average set without installation of costly converters.

But these are obstacles which can be overcome, as ETV stations from Boston to Birmingham, from Chapel Hill to Chicago, from Detroit to Denver, have clearly shown. Some of these stations came into being because a state legislature considered ETV a necessity. The state of Alabama already has two such stations operating as part of a planned educational television network. Others, such as Boston's new ETV station, function through private foundation grants. Still other areas rely on active citizen groups to help raise money for their community station.

What has frequently proven a more serious obstacle is the disturbing fact that a number of educational television's worst enemies are its own spokesmen. Some of these leaders, far removed from the day-by-day activities of program production and television "know-how," have made sweeping claims which ETV is in no position, at present, to make good.

This group seems to feel that the viewer is almost obligated to watch an educational TV program —whatever its quality— simply because it is labeled "educational." In truth, since this is a highly competitive medium, educational telecasting must be of sufficiently high quality so that viewers will tune in by choice.

Of course, the ETV station cannot afford to compete directly with the Jackie Gleasons, the Milton Berles and the Liberaces. But although commercial stations have greater resources and higher-priced talent, they hold no monopoly on originality and creativeness. The educational station, closely linking itself with schools, libraries, museums and other cultural agencies, often devises a program concept which is quite different from its commercial competition. It experiments, pioneers and attempts the radically different.

Who else but the educational programming mind would put together such shows as "Religions of Man," with Washington Uni-

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versity's Dr. Huston Smith doing a survey of major religions of the world, or "I Hear America Singing," consisting of readings from significant works of American authors and produced by WUNC-TV, University of North Carolina?

The educational station performs a service—it teaches French, explains Shakespeare, delves into the atom, helps the farmers, deals with the "how-to-do-it" of things, presents the hour-long string ensemble, discusses local problems, shows the dissection of a frog and encourages the college debate team to speak on current issues. When they do a good job, ETV stations attract a loyal audience. The University of Nebraska has found that its programs dealing with agricultural problems have a greater pull than commercial shows being offered at the same time.

Even so, whatever the educational station attempts, it must do on a professional level. This is one lesson some educators still have to learn: good programming must be produced by people who understand the medium. Just as a university would not appoint someone to its faculty without the necessary experience and background, it should not allow its imprint upon a television production unless it is prepared by a television craftsman. The record shows that when this is done, educational programs not only score as sources of instruction, but equally important, are accepted by the viewing public as something they want to see. A program produced at this level that delights children by the thousands and has been taken to heart by their parents is "The Friendly Giant." This fine series originates from the University of Wisconsin over WHA-TV, the ETV station in Madison.

A GOOD way to measure the impact of educational programming is to see what the commercial networks think of such shows. Programs which achieve great success on ETV are often picked up by commercial stations. CBS-TV's highly-successful "Let's Take a Trip," was once just as successful on the St. Louis educational station, KETC, where the program started. Similarly, NBC-TV's popular "Children's Corner," first saw the light of a video tube on KQED, Pittsburgh's educational TV outlet.

What makes for a "good" program? Some educators feel the best type of program for their purpose is simply to have a professor perform his regular lecture. Other educators prefer the "Omnibus" or "See It Now" type of programs. On the other hand,

a sponsor is often interested only in the size of his audience. The commercial station, too, often worries only about program ratings and considers a "good" program one which has a better rating than the program on the other station.

Educational telecasting has contributed much to the merging of some of these views. The "upgrading" of sponsored programs is real evidence of the impact of educational telecasters. This year, numerous ninety-minute productions of "hit" Broadway plays and adaptations of best-selling books should have demolished once and for all the superstition that the American public's taste does not rise above the twelve-year-old level. Earlier this season, critics were astounded when more than thirty million viewers saw the Sadler's Wells Ballet group perform "Sleeping Beauty." And, this past March, more people were reported to have seen Sir Lawrence Olivier's three-hour film presentation of "Richard III" than had witnessed all its previous stage productions since Shakespeare's time. The small educational stations, which have been programming ballet, Shakespeare, and other art forms, are well aware that these are wise TV fare.

However, since the ETV stations are finding it rough going and the commercial stations are the predominant group in the TV picture today, it is in this direction that educators will have to channel their energies. In the New York City viewing area, for example, there are seven highly competitive commercial stations but not one educational TV outlet. Were it not for a few commercial stations with an enlightened public affairs concept, New York City residents would be hard put to see telecasts featuring college professors, local government, civic and religious leaders, and material from museums, zoos, libraries and other cultural agencies.

BUT such programs must stand on their own merit to compete in this "tight" market no matter how kindly disposed the station is towards educational programs. To get on and then stay on the air, schools, colleges and cultural institutions must meet commercial standards—that is, offer competent programs produced by professional people.

A perfect example of such educational-commercial cooperation in programming was last year's "America in the Making." In this twenty-six-week series, the Metropolitan Museum of Art, New York University and WCBS-TV combined their efforts to tell the story of the early development of the United States

through an examination of the arts and crafts of the time. The museum lent generously of its artifacts and historical objects, many of which had never been let out of the museum before. Three NYU professors—one a historian, another an art expert and one who served as the series host—had to assemble their facts in a manner that was different for them, while at the same time getting used to camera angles, lighting and television techniques.

The station, in giving valuable air time, was presenting a show in direct competition with offerings on six other channels. To the credit of all, the program was a success and commanded a large share of the viewing audience. The series went on to win the Good Citizenship Medal of the Sons of the American Revolution for its "outstanding dramatization of American history."

This is the pattern throughout the nation. Together, the commercial station and the university or other cultural agencies are fashioning a program concept akin to the work of the ETV stations.

The educational television picture is complex. Whether the ETV stations expand and develop into a telling force or whether the commercial station takes over the programming of educational shows is not really important. What is important is that the educators have a voice in the television picture. Today, everyone, from President Eisenhower, who plans to seek re-election by "stumping" the country via the coaxial cable, to the country's manufacturers who are still counting the profits from the Davy Crockett craze of last year, recognizes television's near-saturation effect.

Television will be a part of the American way of life for many, many years to come. Educators are fully aware of TV's potential impact and are striving to stay with the fast-growing medium. Given half a chance, they may well make television into an educational tool that far outstrips the printing press. ■

Answers to True-False Quiz

(1) False *(see page 47)*
(2) True *(see page 21)*
(3) False *(see page 26)*
(4) True *(see page 43)*
(5) False *(see page 16)*
(6) True *(see page 58)*
(7) False *(see page 38)*
(8) False *(see page 11)*
(9) True *(see page 6)*
(10) True *(see page 52)*

How one "small" businessman has used American know-how to foster private economic aid abroad

Vest-pocket Foreign Aid Works

by T. K. Bowen

ALSCO, INC. of Akron, Ohio, manufactures and distributes aluminum combination windows, doors and aluminum lapsiding.

It also happens to be in the business of exporting American know-how, both production and sales, to our friends abroad. That, at least, is the conclusion one must draw when Alsco's uniquely cooperative venture in Italy is examined. Harry Sugar, ebullient, forty-six-year-old president of Alsco, who himself was exported from Europe to the United States forty-four years ago, apparently finds a greater source of pride in the business of exporting know-how than in the fact that Alsco commands a large percentage of the combination window and door market in the United States.

Harry Sugar's success as a small businessman (Alsco has a ten-year history of constantly increasing profits) has been achieved without benefit of any formal education. But a few lessons in American business principles he did learn—namely, that if you produce something that people can use at a price that people can pay, you are in business. The same principles seemed admirably useful in the success of Sugar's Italian venture. You might say that the firm of Alsco Societa Italiana Lavorazione Alluminio has become Sugar's own private technical aid program to Italy.

The most modern aluminum extrusion plant in Europe began its operations a little more than six months ago. The Italian market for aluminum storm windows and siding was paltry, but primary windows, door frames for commercial and residental buildings and particularly irrigation pipe were needed for the rehabilitation program in southern Italy. Less than four months after opening the plant, further expansion to supply the demand became necessary.

Built on the thin crust of earth which covers the ashes of the

Vesuvius eruption some 2,000 years ago, the business that Sugar energetically promoted into being already employs more than 300 Italians. The plant was laid out by American engineers so that its present 45,000-square-foot capacity can be tripled whenever necessary. Among other equipment, the plant boasts a $170,000 extrusion press. With the exception of visiting supervisory personnel from the Akron plant, the labor-management team is made up entirely of Italians.

The unique aspects of this privately inspired American aid to Italy are many. Perhaps the foremost of them is that no one in Italy feels like telling Sugar, "American, go home!" In fact, it would be less than a human reaction if Harry Sugar did not feel a special glow of satisfaction whenever he visits the Naples plant to see how his investment in people is making out. The fact is, in the United States, Harry Sugar is known by a few people as a successful small businessman. In Italy, the highest officials in banking, labor and government circles recognize Sugar as a good *man*. When the Italian government conferred the Star of Solidarity on him, it was in exchange for good services without any political overtones.

The hard-headed businessman might say there must be an angle to all this because no businessman can operate on charitable terms alone and stay in business. What is Harry Sugar's angle? Alsco's purpose is to create an industry where an industry did not exist; to set up facilities which Italians can operate and which turns out products Italians can use. Once this phase of the development program is accomplished, the idea is to expand and then to export to all parts of Europe. Alsco of Akron is not in a rush to make money out of its Italian affiliate. Sugar's contract with the Italian government includes a guarantee that capital will not be withdrawn from Italy for several years to come. Sugar hasn't made a dollar yet, but, as he describes the Italian enterprise, "Business is booming. And we are now expanding everywhere—in Italy, Canada and the United States."

THE FIRM of Alsco Societa Italiana Lavorazione Alluminio was organized with a capitalization of 100,000,000 lire, or $160,000, an amount later doubled. The original financing was one-third American, one-third private Italian and one-third the Italian government's Casa Del Mezzo Giorno, the public

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agency created to promote the development of new industry in southern Italy. The firm has also received a loan from the government's Banco di Napoli of 200 million lire, or $320,000, for a ten-year period. No guarantee of profit conversion into dollars has been sought from the Italian government, and underwriting of such exchange from the U. S. government has not been applied for. It seems that Alsco is going to try to do business in the only way that is really businesslike—on the open market.

The opening of the aluminum plant in Naples received some public notice in this country. For example, *The New York Times* called the enterprise a demonstration of "effective transfer abroad of new American industrial techniques." Of course, such technical assistance began long before Sugar ever thought of his Italian venture. Technical assistance programs have been in operation since the beginning of Marshall Plan aid in 1948. From 1948 to 1951 the Economic Cooperation Administration made it possible for some 6,000 Europeans to come to the United States to study American techniques. Under the same program many American technicians and experts in the field of productivity, distribution and worker training went to Europe. The successors of ECA, the Mutual Security Administration, the Foreign Operations Administration and the current International Cooperation Administration, have continued the technical assistance programs.

THE Alsco operation in Italy is unique in that not one cent from American public funds was used to provide Italy with a modern extrusion plant. This is how Harry Sugar describes what he did: "After we had supplied them with designs, plans, guidance and know-how, they took over.... This spontaneous and enthusiastic activity taught me a lesson which I have been telling my fellow American businessmen whenever I get the opportunity. The lesson is this: We as American businessmen should not, must not, go into Italy or any other country with our money, machinery and methods with the intention of dominating the scene. What we should do is to give them technical assistance and teach them know-how. And then these people will take over and produce amazing results."

Actually, Harry Sugar has made it sound easier than it is. When he went to Italy to "sell" his idea for the development of an aluminum extrusion plant, he found a major obstacle in the hesitancy of Italian businessmen and government officials. Accus-

tomed to thinking in terms of a narrow market, limited production and high profit margins, they could not, at first, grasp the American penchant for mass production and mass distribution techniques. It took a lot of explaining and patience to convince Italian representatives of business and government that the healthiest form of profit is derived from business situations where there are the greatest number of sales. Once this hurdle was passed, the rest was relatively easy.

Alsco personnel from Akron supervised the construction and layout of the plan. Italians have operated the company from the first, with Alsco furnishing technical know-how and assistance whenever requested. Within the first year, two waves of Italian supervisors visited Alsco's American and Canadian plants to study methods and procedures. Harry Sugar has a simple way of summing up what has been accomplished: "Italy has a plant, one that is already running at a profit, and we can hope that maybe in a few years it will make some money for us. What more can we ask?"

THIS is a question that many people in this country are asking themselves whenever there are discussions about America's foreign aid programs to our friends abroad. Since 1948, more than $4,800,000,000 of American public funds have been sent to the assistance of the Italian people. Compare this sum with the $73,000,000 of private American capital currently invested in Italy and the successful experiment by Sugar takes on new meaning. The money invested by Alsco in the Naples aluminum plant has probably produced, dollar for dollar, greater results than any equal amount of foreign aid expenditure.

This is not to suggest that government aid to foreign countries does not have a legitimate function. But there are other roles that private capital is better equipped to handle, and which permit greater benefit to all parties concerned. Harry Sugar has proved this in a significant, if small, way. His friends josh him about his Star of Solidarity; some of them call him "Sir Harry." But there is no joshing about the fact that American businessmen can, if they try, do business abroad and win the appreciation of other peoples for the manner in which we do business. ■

While the Soviet Union is a country rich in natural resources, she is by no means "ten feet tall"

The Russian Potential

by Arthur S. Barron

OBSERVERS of the Russian scene tend either to minimize unduly or to exaggerate Soviet power. Wishful thinkers describe the USSR as a colossus of clay; alarmists see her as an invincible juggernaut. Both of these images are dangerously incorrect. Like any potential enemy, the Soviet Union possesses capabilities which threaten our national security and vulnerabilities which enhance it. In the area of basic resources, such qualities are particularly apparent.

Land, raw materials and population are the basic resources of a nation. They determine any country's economic potential, and should not be confused with actual achievements—armaments, industrial output or food production and the like—which measure the development of an economy rather than its potentiality. While they are important, the resources are the foundation on which all economic development is based.

Soviet resources are impressive and provide the Soviet state with much of the wherewithal needed to achieve her ambitious goals. But they seem far less imposing when compared with those available in the United States. Although Soviet raw

materials approximate those of the United States (and in some cases surpass them), they do not match our strength in land and population.

A look at the relative strengths of the U.S. and the USSR in such basic inanimate energy resources as coal and petroleum, for instance, shows the U.S. with 39 per cent of the world's coal reserves; the USSR, 24 per cent. In oil, the USSR holds a slight edge with an estimated thirty-seven billion barrels in reserve to the U.S.'s thirty-five billion. But reserves of such crucial industrial minerals as copper, lead and iron ore are nearly the same in both countries. Altogether, the U.S. is believed to possess 29 per cent of the world's inanimate energy resources as compared to an estimated 24 per cent for the Soviet Union.

In the matter of scarcities, both countries have insufficient quantities of industrial diamonds, natural rubber and quartz crystals. However, the similarity ends here. In the all-important production of steel, the U.S. produces less than 10 per cent of the world output of nickel, probably the most essential of the steel alloys, while consuming much more than half. The USSR produces 86 per cent of its own nickel requirements. We import 90 per cent of our chromite, a leading alloy in stainless steel, and manganese, indispensable in the production of open-hearth steel, while the Soviet is the world's largest producer of these metals. On the other hand, our resources of bauxite (aluminum ore), important in airplane production, are more than twice as large as those of the USSR. Our supply of the tungsten used in high-speed cutting tools is good, while the Soviets possess only meager quantities.

In sum, both countries are immensely rich in raw materials but neither has clear superiority over the other.

WHAT major differences there are in raw materials must be found not in physical endowment but in other related factors, such as the probability of discovering new materials. Here the Soviet nation is in a better position. Since only a little more than 65 per cent of the Soviet land mass has been subjected to geological survey, it is likely that vast new stores of mineral riches will be discovered in the USSR. It is far less probable that it will happen here. Also, Soviet mineral consumption requirements at present are not as great as ours. Based on hypothetical demand

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data, it is calculated that U.S. mineral needs are at present two and a half times as great as the Soviet's. The differential will undoubtedly persist until Soviet output begins to match ours. In a totalitarian society, moreover, high production costs do not necessarily preclude an attempt to gain self-sufficiency in raw materials. In a free economy, concern for profitability often makes the development of marginal extractive industries impossible.

Two important factors, though, work to our advantage—transportation and technology. Soviet raw materials are widely scattered over the vast land mass of the USSR, with many of the more important reserves located in Siberia and other areas far removed from Soviet industrial and population centers. Soviet transportation facilities are inadequate for moving raw materials the huge distances required. In addition, extractive technology in the USSR is far inferior to ours. For example, the USSR does not yet employ methods for processing oxidized copper ores which are already standard in the United States. In a recent speech before Soviet industrial leaders, Premier Bulganin admitted that in 1954 fully 36 per cent of the ferrous metallurgical industry was nonmechanized. Our technological superiority in metallurgy constitutes a huge advantage.

Surprising as it may seem, the U.S. enjoys a significant advantage when it comes to land resources. Although the Soviet Union is the largest nation in the world, occupying more than one-seventh of the earth's surface or roughly three times the area of the United States, factors such as climate, drainage and soil are of equal or greater significance. The Soviet climate, closer to the Canadian than to our own, is largely unfavorable to farming. Thirty per cent of the entire Soviet territory is completely barred from agricultural use by excessive heat or cold. Much of the land in the remaining area is not cultivatable. Altogether, about 10 per cent of Soviet land is arable. Even the "black earth" land suffers from lack of adequate rainfall.

These adverse climate and soil conditions do much to equalize the comparative position of the United States despite the size difference. For all her great mass, only 555,600,000 acres of Russia's land is arable. The United States, with less than two billion total acreage has 454,900,000 acres of arable land —less of a difference than one might expect glancing at their relative sizes on the map. When

the larger Soviet population is considered, the U.S. actually has more arable acreage per capita. Add to that our significantly greater productivity per acre and we see why, although our food consumption is greater, we are seeking to *reduce* crop acreage, while the Soviets are desperately seeking to *increase* it.

THE Soviet attempt to increase land potential through plowing the so-called virgin-soil areas in the Volga basin and Central Asia, through vast irrigation schemes and through creation of forest shelter-belt areas have met with some success. In his report to the recent Congress of the Communist party, Nikita Khrushchev reported that twenty-four million new acres had been plowed as part of the virgin-land program. The new Five-Year Plan calls for the addition of six million acres through various irrigation schemes. No matter how successful these plans are, it is unlikely that the Soviets can match our basic land potential. American crop acreage could be expanded 135 million—far surpassing even the most grandiose plans of the Soviets.

In population resources, too, a marked Soviet advantage in size is counterbalanced by other factors. At 200 million, Soviet population represents 9 per cent of the world's total, and is 24 per cent larger than our 165 million. Moreover, it is a younger population, and the proportion of persons in the labor force is growing at a faster rate than ours. The Soviet labor force is more than a third larger than our own at present, and the differential is increasing. From 1950 to 1970, the number of Soviet persons in the working age groups will increase by 28 per cent; in the U.S., the increase will amount to 21 per cent.

The distribution of the Soviet labor force, however, is far less economical than ours. Half of the USSR labor force is employed in agriculture, compared to only a tenth here, reflecting greater American agricultural productivity and providing us with a significant industrial advantage. In Russia, 50 per cent of the labor force is made up of women over fifteen years old; in the United States only 32 per cent of the labor force is composed of women over fourteen. In a period of crisis, therefore, we will be in a much better position to expand our working population through the employment of women.

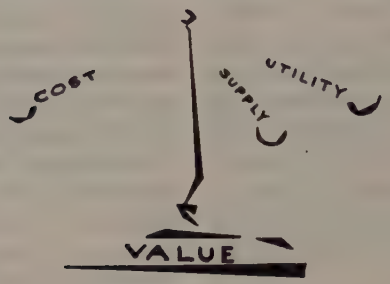
The cohesiveness of the population is another consideration in a critical period. The Soviet Union is made up of eleven major ethnic groups representing a

hundred separate people. In all, about two hundred languages and dialects are spoken. While Soviet nationality policy has wavered between liberalism and Great Russian authoritarianism, the emphasis has definitely been on the latter. Potential nationality group discontent in time of emergency is a major liability in accounting Soviet population resources.

Labor productivity also provides a measure of the strength of a nation's human resources. By this standard, the United States is immeasurably better off. Conservative estimates place Soviet labor productivity at half of ours. At present, this difference in productivity more than counterbalances the Soviet's advantage in size.

On the other hand, the USSR is doing much to narrow this gap. Impressive advances have been made in mechanization and automation of industry and in the expansion of technological education. Much to our consternation, for example, a Dallas oil firm recently sought to contract for the purchase of Soviet oil-drilling equipment because of its marked "superiority to our own." And British industrialists who have lately toured the Soviet Union report that Soviet steel mills challenge anything to be found in the West as far as technological innovations are concerned. Soviet achievements in technical training have already been recognized as a major competitive threat. In 1954, the Soviet Union produced more engineers than we did; and the evidence indicates that unless vigorous steps are taken, the Soviets will continue to outproduce us in trained technical personnel in the future.

TAKING a balanced view, it is clear that Soviet strength in basic resources is impressive. The Soviet Union is rich in raw materials, population and—to a lesser extent—in land. At present, Soviet strength in raw materials closely matches ours, and may even surpass it in the future. Soviet strength in population is less than ours, though time should close the gap considerably. In land resources, Soviet deficiences seem so basic that it is unlikely the U.S. advantage will be minimized by future developments. The Soviet Union, in short, is a formidable opponent, but by no means a more powerful one. Its fundamental weaknesses in basic resources are as apparent as its strengths—and it is to our advantage to understand them both. ■



The Marginalists

A new school of economists emphasizes utility as the most important factor in determining value in a competitive economy

IT HAS BEEN SAID, with some accuracy, that there are very few important new ideas in the history of economic thought. Of these new ideas, one of the most striking is the whole notion of marginal analysis as it applies both to the analysis of human tastes and the measurement of incomes earned.

The central concept, as we shall see, is so simple that it is hard to understand why nobody thought of it much earlier than 1870. Take any individual, so the story runs, and give him more of anything. Say that he is hungry and you give him hamburgers. The first of these delicacies will delight him. A second will also yield him pleasure, a third somewhat less, and only sheer momentum will carry him through the eating of the fourth. Compulsion alone will induce him to eat a fifth, and a sixth will induce illness. We have illustrated a relationship between pleasure and quantity sometimes called the law of diminishing utility which affirms that extra quantity always yields less satisfaction whether we are talking of automobiles, mink coats or money itself.

What bearing does this generalization have on economic theory? Prior to 1870, most economists explained the value of an object not in terms of the satisfactions that it yielded but rather in terms of its cost of production. Adam Smith, David Ricardo and John Stuart Mill all ignored consumer demand and concentrated on the

cost, principally labor, of producing items. This emphasis upon labor cost was borrowed by Karl Marx and used for his very different purposes to suggest a theory of capitalist exploitation.

We can only speculate why in 1870 three major economists—Leon Walras in Switzerland, Carl Menger in Austria and W. Stanley Jevons in England—suddenly turned against this explanation of prices. Perhaps the rising standards of living of the period finally made it clear that consumers had real choices and that these choices had obvious effects upon prices. At a time when most people had lived close to starvation, it was perhaps only natural for economists to concentrate on supply and its cost.

Jevons is a good representative of this new group. The contribution which has made Jevons' place in the history of economic ideas secure is the theory of consumer choice which he first outlined in his *Theory of Political Economy*, published in 1871. In it he pinned down his explanation of prices. If consumer satisfaction diminishes as the consumer acquires additional units of a commodity, then the consumer will acquire them only at successively lower prices. It follows that the price paid per item by a consumer for a number of items will be no higher in a competitive market than a fair payment for the amount of satisfaction yielded to him by the last unit. Or, in Jevons' words, "Value depends solely on the final degree of utility." He tied in value with cost in this fashion:

"Cost of production determines supply; supply determines final degree of utility; final degree of utility determines value."

In other words, if cost of production is high, fewer units will be produced. Each of these units will yield more satisfaction, and the last of them which yields least satisfaction (final degree of utility) will determine value or price.

Here is an explanation which obviously makes sense to sellers. Any retailer who conducts a sale assumes that reduced prices will attract new customers or will persuade old customers to buy more. In effect, the retailer believes that additional units will give smaller amounts of satisfaction to buyers and that these buyers can, therefore, be induced to buy more only if prices are lowered.

Now, to the second part of our story. If the prices of goods are determined by the satisfactions of their consumers, then clearly the labor, the capital and the land which cooperate to produce these

This is the fifteenth article of a series in CHALLENGE dealing with the economic development of Man.

goods must acquire value only insofar as they minister to these satisfactions. That is to say, a worker earns wages only because the product of his work gratifies tastes that consumers will pay to satisfy.

This explanation, first fully presented by John Bates Clark in this country and by Alfred Marshall in England, is labeled the theory of marginal productivity. It starts with a central insight: the demand for the factors of production—land, labor and capital—is a derived demand. Nobody purchases labor or capital in order to eat or wear them. The businessman buys these factors because they will make something which he can sell profitably. Thus, an employer can hire an extra carpenter at twenty dollars a day only because he expects his efforts to produce, say, furniture which will sell for more than those twenty dollars a day plus associated costs. If we examine the case more closely, we see that the wage of the worker is influenced by two elements. The first we may call his marginal physical productivity, or in less technical language, the extra output for which he is solely responsible. The second is the price at which this output can be sold. If the output of our carpenter is magazine racks and they can be sold at four dollars each, his wage will depend on the number of these racks he can produce (his marginal physical productivity) and any price changes which may occur.

Alfred Marshall and John Bates Clark, doing their most important work in the last decade of the nineteenth century, went even further. Both contended that free markets in equilibrium (balance) tend to reward workers according to their marginal physical productivity multiplied by the price of products manufactured. Put crudely, this means that if one man's wage is twice that of another's, it is probably because his productivity is higher. On balance, we are paid what we deserve, or at least what we earn.

MOREOVER, they extended their theory to capital and land. Imagine an executive trying to decide whether or not to buy a drill press. What is his logical procedure as described by our theory? He calculates the probable life of the machine and the resulting annual depreciation costs. He adds to these reasonable operating expenses and the interest on borrowed money. He compares this total with his expected gains in receipts over the life of the machine, applying appropriate rates of time discount. His decision to purchase will depend on whether additional costs exceed additional

revenues or the reverse. In other words, this is our theory once again. It is the number of items the machine can produce and the price at which they can be sold which determine the benefits to be derived from its purchases; and these two items multiplied constitute the marginal revenue productivity of this machine. The same kind of reasoning can be applied to rent.

The marginal explanation of consumer purchases and of incomes alike is generally accepted by economists today. Still, it is worthwhile to suggest some criticisms. For one thing, consumers are by no means as rational as the theory assumes. We are not really able to compare coldly our satisfactions with the prices of various commodities and to shift our purchases according to our conclusions. We buy on impulse in order to satisfy vague status aspirations, perhaps for reasons which only psychiatrists can elucidate. Much merit resides in this argument, but it is easily possible to overstate it. Anyone who has watched a woman carefully choose from among the tempting items displayed in a supermarket or a department store has probably seen a fair display of conscientious effort to make each last penny yield its maximum enjoyment. Probably, fair rationality is the best single assumption we can make about consumer behavior.

A second major limitation of the theory stems from the "lumpiness" of many purchases. We buy no more than two or three houses in a lifetime, perhaps half a dozen automobiles and two refrigerators. In each case we know too little to compare anticipated satisfactions with needed outlays. The marginal theory presupposes comparisons of inexpensive items, but these purchases are leaps into the dark. There is obviously something in this objection also, but it might be said that as trade-in markets grow and our purchases of even these expensive items become more frequent, the force of the argument diminishes.

Objections have been made also to the marginal productivity explanation of wages, rents and interest. John Bates Clark used the marginal productivity theory to demonstrate that the workings of a free market produced social justice in the sense that every man was rewarded according to his skills, industry and merits. As critics were not slow to point out, this claim assumes that everyone has equal opportunities to acquire the skills and talents which lead to high rewards. As long as educational and social opportunities are unequal, young people will start life's race at dif-

ferent points. Although they may be fairly rewarded for what they do achieve, injustice may have diminished their opportunities for achievement. Contemporary exponents of the theory make no claims for it on the score of social justice.

A second common criticism is the problem of monopoly. The theorists of marginal productivity assumed freely competitive markets, full of small sellers and small buyers. In such markets all employers are sufficiently small so that any one can hire any number of additional workers he can conceivably need without increasing the market wage rate. But in our present world that assumption is, occasionally at least, less than valid. A very large organization may be able to increase its number of employees only by offering a higher wage. But if it does so, it will have to raise the wages of workers already employed. In other words, the employer in this case can no longer make the comparison of the wages of one more man with the marginal revenue productivity of that man. He must take into account the effect on other wages. His calculation becomes further removed from a simple application of this theory.

There is one other objection to the smooth working of this theory. We have tacitly assumed that we can increase our labor force or our capital by small amounts, in each case comparing the cost of these increases with the value of their effects. But suppose that this assumption is invalid. Take the classic illustration of the single-track railroad. At some point its management must decide whether or not to double-track it. No intermediate decision is possible. But a decision of this magnitude ceases to be marginal. Like the man buying his first house, the railroad's management must take a leap into the dark.

And yet, although luck and human unpredictability will always seriously limit the completeness of any rational theory, marginal utility and marginal productivity remain useful generalizations. We owe most of our increased understanding of prices and their variation to the original work performed by the early marginalists: Jevons, Menger, Walras, Marshall and Clark. Not the smallest part of our debt is to their creation of generalizations which gratify the theorist and yet seem to explain much of the practical behavior of the market place. ■

NEXT MONTH: By studying the history of economic institutions, the German Historical School hopes to evolve valid economic theories

current trends and outlook

Economics in Action

business in general appears good, but economists are keeping a close watch on some "soft spots" which may point to a mild recession

As THE economy moved toward the third quarter, there appeared to be wide differences of opinion as to the outlook for the rest of 1956. A look at the most recent statistics shows that the over-all level of **industrial production** has been on a plateau. The Federal Reserve Board's industrial production index for April was 142—the seventh month during which the index has hovered near December 1955's record 144 per cent of the 1947-49 average. Was this merely a pause before another upturn or did it signal the beginning of a mild recession?

That the **business community** was confident of a continued high level of activity seemed evident in **outlays for new plant and equipment**—estimated at $17.1 billion for the first half of 1956, a rousing 33 per cent higher than the year-ago level.

The **consumer** was happy, too, with first-quarter figures showing a rise in **consumer spending** of $1.5 billion and his income was up $2 billion. **Employment** meanwhile rose by 900,000 between mid-March and mid-April to a total 64 million—an April record—and unemployment declined.

But these and other signs of underlying business strength did not obscure such obvious weaknesses as the **slowdowns** in **new car sales** and **residential construction.** Auto production has been cut by as much as half in some factories, although high demand for **used cars** and optimism over the much-heralded 1957 models arouses hope for a rally in the industry later this year. **Builders** started work on 106,000 new **nonfarm dwellings** in April, 10,000 units more than in March. Nevertheless, this was 26,000 fewer than April of last year. There was also the continuing decline in **farm incomes,** with realized net income in 1956 expected to total $10.4 billion, slightly less than the $10.8 billion in 1955 and $6.8 billion lower than the 1947 high. But **farm prices** seemed to respond to the April announcement of higher support levels for several crops.

The immediate concern of **economists,** however, centered on the inflationary potentialities of **price increases** and scattered shortages for key **industrial goods,** the intensive demand for **credit,** and, more recently, rapidly growing inventories. During March, businessmen added $1.2 billion worth of goods to their **inventories,** while **sales** rose a little less than usual. Twice in the recent past (in 1948-49 and 1953-54) a too high inventory-to-sales ratio had preceded a general business downturn.

Whether or not the current buildup was a danger signal or merely, as some saw it, hedging against price increases and a possible steel strike, there were few bankers and economists who weren't watching the economic scene closely in their efforts to determine which way the economy would turn. ■

by Frank A. Tinker

It is headed for trouble unless management wakes up to the ever-present need for long-term production and research

THERE IS a heady quality to prosperity that makes words of caution as popular as snowshoes on the Fourth of July. This happy disregard for reality is dangerous anywhere, but no place more so than in the management of the nation's large manufacturing industries. Size itself, and a long period of prosperity, may lull any business into overlooking the promotional needs without which it will eventually falter.

A case in point is the closely knit Portland cement industry. Cement producers have been drowsing for some time and there are good indications that they will continue to do so in spite of themselves, or until a drastic loss of markets jolts them awake.

At first glance, this seems a little ridiculous. Latest reports on the industry show that production of cement is soaring, new construction is planned and net profits are the highest of any basic materials produced. There are even outstanding shortages of the product in many parts of the country.

More important, expansion plans announced for this year appear to be anything but drowsy. At least ten completely new installations are planned—and when you consider that only eighteen plants have been built since the war, this figure is impressive.

This year, also, further production will be milked from existing facilities by the addition of storage silos here, a new kiln there, and everywhere a new attitude of

confidence. The estimated increase in capacity of perhaps fifty million barrels annually is virtually guaranteed to end current shortages by 1957.

Meanwhile, shortages continue year after year, with cement stocks by the end of 1955 at the lowest point since 1952. As a result, the cement salesman in southern California and the ready-mix concrete dealer in Cincinnati grapple with the problem of distributing their reduced supply so as to offend the least number of good customers. Contractors and concrete fabricators are forced to protect their sources by overpurchasing, scattering their orders to different companies and making whatever deals—formal or otherwise—are necessary to insure sufficient cement to fulfill their commitments.

Hand in hand with these scarcities go losses in business and good will plus the malpractices that are characteristic of every such shortage. Unfortunately, 1956 promises no relief for this deplorable situation which appears to be almost entirely the result of management's reluctance, or inability of which they are unaware, to do anything really permanent about it.

The industry as a whole, speaking through the Portland Cement Association to which most producers belong, has excused the recent shortages by saying that the persistent high level of construction activity was underestimated in every official quarter. But this is not an altogether satisfactory alibi. Neither the Association nor its members should have to rely so completely on estimates of other agencies as to the probable consumption of its own product.

More important, this obvious unwillingness to expand at a time when nearly every other field of manufacture was expanding indicates a strange complacency on the part of management. Even though its product has in the past been the literal foundation of most construction in the United States, the industry could skid disastrously and quickly from its present peak activity. History has recorded similar disasters in even greater enterprises.

When the industry finally decided to enlarge production facilities this year, it cited the apparent permanence of an expanding economy. Population increases and housing needs seem to make this an obvious matter. But although the present home construction activity seems feverish and in many places overextended, there are actually fewer nonfarm dwellings per unit of pop-

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Frank A. Tinker has contributed many fine articles to past issues of CHALLENGE dealing with business and government.

ulation being built now than in 1925. Again, despite its many superior qualities, cement block is used on only 8 per cent of the country's houses. Figures such as these indicate that only a small part of the potential economic uses of cement have been developed.

When, therefore, it is stated that 1957 will see the end of shortages, this is no reason to suppose that the "drowsy giant" is beginning to wake up. In effect, the belated move to a higher level of production is being forced by circumstances rather than the industry's own development efforts. True, a cement plant costs anywhere from two to three million dollars, and kilns, production machinery and expensive transportation and storage facilities bring the total cost much higher.

But factors other than simple business enterprise were responsible for these recent investments in modernization of the industry. First, much of the equipment now in use is obsolescent and should be replaced. Also, the producers are counting heavily on a public works program which will keep construction at a very high level for years to come.

If, for example, the President's highway modernization program passes the Congress, as seems likely, construction appropriations will probably exceed fifty billion dollars. In a mile of six-lane concrete highway more than 50,000 dollars worth of cement is used. With consumption such as this in prospect, cement might look like a sure investment bet.

But is it? It was only a few years ago that the use of asphaltic pavement threatened to topple the whole market for concrete. Notwithstanding its admitted superiority, concrete was much more expensive to place than blacktop. Improved production methods and better engineering of the concrete itself have helped to retain the major portion of this field for the cement producers thus far, but there are other materials which could easily come into use. One such, a cheaply produced tile brick called Postonway, recently created a spurt of interest when details of its use were made public.

Obviously, the only way to meet such competition is by improving and extending the use of the cement itself. Yet, the formula for Portland cement has not changed appreciably since it was first patented by an English mason in 1824. Only in the last few years have important new ingredients such as pozzolans fought their way into occasional use. Admixtures which impart better or special qualities to the cement have been vigorously opposed on

the shortsighted grounds that they might reduce the amount of cement necessary.

In fact, most of the new uses for this ancient material have been developed by inventors and engineers working without the sponsorship of the producers. One such innovation—clear evidence that even the basic use of ordinary cement has not been fully realized—is that of prestressed structural members. High-strength concrete is placed around metal strands which are under great tension. As a result, concrete beams of heretofore impossible dimensions have been used successfully and economically. Tilt-up and lift-up slabs, which are concrete walls and floors precast and then moved into position, have also made possible the use of such concrete on a wider scale and lowered construction costs appreciably.

As matters stand now, merely by helping to insure the quality of the end product of their mills, the Portland cement fraternity could raise its consumption appreciably and at the same time do the buying public a huge favor. But the sad truth, well known in the construction world, is that most commercial concrete being poured today achieves only a small fraction of its potential strength and usefulness. In almost every job where there is not the most rigid inspection, the concrete used is heavily watered or adulterated in some manner. Wet concrete flows easier and requires less effort to finish, and indifferent construction foremen and contractors apparently would rather incur the wrath of engineers than spend the extra time and money. Shortsightedly, they care little that the material they pour may crack, crumble or leak soon after their job is finished—it can always be blamed on the quality of the concrete itself.

It is true that in a noncompetitive, forgiving market, this abuse of the product may not matter as much as elsewhere, but there are instances on record now where the use of concrete has been vetoed because of the poor reputation it had gained through such handling. Eventually, the concrete finisher will prosper or lose through the quality of his work; with him will go the cement producer and the investor. In the meantime, the consumer is being served a poor dish indeed.

Perhaps because of the factors mentioned above—the inadequate and obsolescent production plant, the lack of forceful management, the failure to recognize its stake in the quality of the industry's ultimate product—investors have not been overly interested until

recently in placing their money in cement securities. This despite the fact that the industry reported a net income for 1954 of 15.3 per cent of sales, higher than that of any other industrial group. (Actually, a trade journal which investigated this figure came up with a different conclusion. After the necessary large allowances for depreciation on antiquated machinery and other incidentals, this income would be nearer 8 per cent of total billings, which is about the same as other basic chemicals.)

PRICE increases, which finally went into effect in early 1956, were said to be long overdue. It was true that cement prices had risen only 78 per cent since 1939, whereas those of other building materials have gone up 159 per cent. Yet, other industries were getting along well on the same margin and were able to expand from profits. When it came time to build new cement plants, money still had to be obtained by borrowing. This is remarkable, considering that it follows a decade in which every pound of cement made had a ready buyer and in many instances competitive bidders.

With the price increases and the new attitude toward expansion, securities of Portland cement companies are becoming more attractive, which means in effect that the industry is at last swinging into line with the trend of the times. This is heartening, since such a basic producer group is bound to have a strong effect in each of its actions upon the morale of the whole huge construction field.

The country's Portland cement producers deserve a rousing cheer for what vigor they have shown in getting this new movement launched. The next logical move might be to re-examine the whole attitude of management toward its product, so vital to the nation's welfare. Instead of being tugged forward by the currents of public favor, one day soon the industry may find that it is being pushed backward by a deserved shift in these waters. It would be a good idea for a while to practice swimming as hard as possible—just in case. ■

Mechanization the Difference

IN THE United States, a typical dairy farm with forty milking cows is tended by one man, with part-time help employed at harvest time. The operation is 80 per cent mechanized. In the Soviet Union, one woman is assigned to clean, milk and care for ten to twelve cows. Only the milking is performed mechanically.

Challenge Quiz

HOW WELL can you do with this true-false quiz? Test your ability to increase your knowledge through reading. Nine correct answers is Excellent; 8, Good; 7, Average. If you do the quiz *before* reading the articles, 5 correct answers is Good. Answers on page 42.

(1) Although the USSR is 3 times the size of the U.S., she has less arable land than we have.

True ☐ **False** ☐

(2) More government aid to brace farm incomes will help farmers but not the farm problem.

True ☐ **False** ☐

(3) Consumers can usually agree as to what constitutes "high pressure" advertising.

True ☐ **False** ☐

(4) Since 1948 the U.S. government spent 60 times more money for aid to Italy than private American businesses have invested there.

True ☐ **False** ☐

(5) By 1975 sectional influences will have no influence in determining the national policies of the two major parties.

True ☐ **False** ☐

(6) There are fewer nonfarm dwellings per unit of population being built now than in 1925.

True ☐ **False** ☐

(7) Educational TV has developed slowly because a sufficient number of channels have not been made available.

True ☐ **False** ☐

(8) The clearly defined hierarchy in large corporations has made communication from top-to-bottom and bottom-to-top easier.

True ☐ **False** ☐

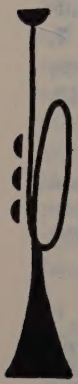
(9) Since a union controls the sale of its members' labor services, it is a monopoly.

True ☐ **False** ☐

(10) The Marginalists explained the value of a commodity in terms of the satisfactions it yields, not its cost of production.

True ☐ **False** ☐

Dept. of Better Mousetraps



Around the House: a TV set in an ottoman—remote control raises the top of the ottoman to reveal the TV screen and swings it back when not in use . . . a spray gun which sprays two or more colors simultaneously . . . cedar paint . . . a salt and pepper set with push-button releases . . . and, to keep *really* cool, an upholstered chair with a built-in fan in the seat—the motor automatically turns off when chair is unoccupied.

* * *

Junior Department: *a convertible high chair with adjustable legs to serve the child until he is 7 years old . . . a jump rope with music boxes in the handles . . . and, to satisfy baby's need for a change, diapers with a Mickey Mouse and Pluto print.*

* * *

Father's Day Special—for the Beau Brummel: a bald head hair brush, contour shaped to be kind to Pop's pate while it keeps the fringe areas neat . . . a 1½-inch mustache shave brush . . . and a rotating, magnetic tie bar which holds 24 clip-on ties.

* * *

Father's Day Special—for the Athlete: *a fish knife that doubles as a scale . . . a gadget that tells you how far down the bait is . . . a golf meter, hung on the belt, registers how far the ball is hit . . . a Golf Par-Kit with a Gripfinder to make the player hold the club square to the line of direction and a Golf Swing Gauge which locates the line of direction . . . for bowlers, a new adhesive-backed grip which promises increased control . . . and, to make sure Dad gets up in time for Sunday morning sports, an alarm clock that rings once, gives you time to drop back to sleep, and then rings again 10 minutes later.*

* * *

Gadgets for the Car: a car valet fits over the visor and has a zippered compartment for maps and room for sun glasses, memo pad and pencil . . . and a compact car vacuum cleaner which fits in the glove compartment and operates from the dashboard.

* * *

In the Garden: *Sprinkl-Rite Watering Guide, placed within range of the hose indicates when it's time to stop watering . . . an aerator, attached in place of the roller on any lawn mower, is said to prevent grass seed from blowing away while air, moisture and fertilizer enter the soil evenly . . . and for those who like to rough it—but not too much—a barbecue electric coil buried in a charcoal bed to start the outdoor fire.* ▪